INANCIAL TIMES



Noisy critics Upheavals at

Daimler-Benz



Human factor *Irrationality*

in assessing risk Samuel Brittan, Page 8



Will to succeed Celebrating the advance of Asia

Chris Patten, Page 8



Today's surveys International Hotels

Russia

Separate Sections

Bundesbank chief outlines European

currency plan Bundeshank president Hans Tietmeyer (left) has revealed plans to avoid political and currency



turbulence between nembers of the planned European monetary union and other European Union countries by taking currency change decisions away from indi-vidual countries. Mr Tietmeyer has suggested a "supranational authority" to oversee rates nges, relative to the

single currency, of non-Emn members when their currencies come under pressure. Page 10 and Lex; Editorial Comment, Page 9; Emu ins and outs, Page 2

Suez, the French flagship industrial and financial holding group, said it was on course for a return to profitability this year after reporting losses of FFr4bn (\$780m) for 1995, Page 11; Lex. Page 10

Airbus wins \$1.5bn Chinese order: Chinese prime minister Li Peng signed orders to buy up to \$1.5bn of Airbus aircraft, the first significant break through for the European consortium in China, which has been dominated by Boeing of the US.

Turidish coalition urged to stop fighting: The head of Turkey's main business organisation called on the two parties in the new coalition government to stop arguing and deal with the country's mounting problems. Page 3

Nylon groups in Asian venture: BASF of Germany and DuPont of the US, two of the world's leading nylon manufacturers, have agreed a \$750m joint venture in Asia to manufacture 8 per cent of the world output of nylon raw materials. Page 12

Serbs win seat on aid talks: The Bosnian Serbs were given permission to attend an interna-tional donors' conference this weekend on aid for reconstruction, Page 3

Svedala Industri, the Swedish mining and construction equipment manufacturer, launched a SKr1.83bn (\$276m) takeover bid for Finnish engineering group Tampella Corporation. Page 12

German unemployment near record: German unemployment fell by 129,000 to 4.14m last month, from February's record 4.27m, prompting calls for the government to abandon budget plans and borrow more to boost the economy. Page 2

Republican convert misses nomination: US congress caan Greg Laughlin, a Democrat who turned Republican, lost his bid for nomination to represent his new party in the 14th congressional district of Texas. Page 3

Russia reassures on nuclear arms: President Boris Yeltsin hinted Russia would adopt a trial nations meet in Moscow next week to discuss nuclear security issues. Page 2

Japanese surplus falis 38%: Japan's current account surplus fell 38.8 per cent to Y745.9bn (\$6.88bn) in February, compared with a year earlier.

US computer chip sales down: US semiconductor sales in North and South America fell about 3 per cent to \$4.16bn during March from February sales of \$4.29bn, signalling an industrywide slowdown. Page 4

Brussels plans \$1.25bn jobs boost: The European Commission proposed an Ecu1bn (\$1.25bn) loan guarantee scheme for small husinesses, aimed at creating about 30,000 jobs each

Hong Kong tensions prompt meeting: Hong Kong's chief secretary Anson Chan will meet Chi-na's top official responsible for the British territory next week over increasing tension concerning Hong Kong's handover to China next year. Page 5

Andreotti trial halted: A judge halted the seven-month-old trial in Palermo, Sicily, of Italian former prime minister Giulio Andreotti on Mafia charges and ordered a new trial to start next

Africa goes nuclear-free: Africa will join nuclear-free zones Latin America and the South Pacific when 53 African states and the nuclear pow ers sign the Treaty of Pelindaba in Cairo today.

Israeli soldier killed in attack: An Israeli soldier was killed and three were wounded in south Lebanon when Hizbollah fighters fired on their outpost with mortar bombs.

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Doubts over Swiss bank merger

By lan Rodger in London and Andrew Fisher in Frankfurt

Scepticism and fears about possible job losses have greeted the revelation thet Switzerland's two largest financial institutions bad exploratory discussions

about merging.
There were also indications that the board of Union Bank of Switzerland would reject the approach from CS Holding, the group built around the Credit Suisse bank. UBS's board will discuss the idea at a meeting in Zurich today and will issue a statement this avening.

The merger of the two institu-tions would create the world's second largest bank after Bank of Tokyo-Mitsubishi Bank of Japan, with combined assets of SFr800bn (\$667bn).

However, it would also lead to substantial redundancies in overlapping businesses, especially in Switzerland and to a lesser

In an interview reminiscent of

the TV glimpses into Lady Thatcher's domestic life at Num-

ber 10 Downing Street, Mrs Yelt-sin talked of how the president

washes up and cooks Siberian

dumplings. Under Sir Tim's tutelage, Lady

Thatcher, in her early days as

premier, adapted her dress,

make up and even her voice to

enhance her authority, particu-larly for the television cameras.

The UK trade magazine, PR

Week, in a report published today, says Sir Tim's agency, Lowe Bell, worked with the Rus-

sian prime minister Mr Viktor

Chernomyrdin's Our Home is

Russia party during the parlia-mentary elections in December.

Sir Tim, who declined to com-

ment on the report, is also thought to have worked for NTV,

whose president. Mr lgor Malash-

enko, was recently appointed head of the information depart-

ment for Mr Yeltsin's electoral

support this year thanks to some well-orchestrated campaign

He has sacked unpopular gov-

ernment ministers, made strenn-

ous efforts to pay the wage

arrears of government workers

with the president.

in Chechnya.

Initial talks between CS Holding and UBS prompt fears of mass job losses

THURSDAY APRIL 11 1996

We give very little credence to this proposal; the synergies are not that evident," Mr Pierre Tis-sot of Geneva bankers Lombard,

Odier, said.
UBS hearer (ordinary) shares
fell SFr24 to SFr1,293 and CS shares dropped SFr1.25 to SFr113.75 yesterday after surges on Tuesday when CS said it would issue a statement following a newspaper report about the

CS said it envisaged a merger "between two companies of equal stature" but analysts agreed that CS would be the main beneficiary, taking advantage of UBS's greater financial strength.

UBS is one of only a few inter-national banks enjoying triple A ratings on its debt from all the

Steep mountain to climb ... Page 9 World stock markets Page 28 main rating agencies. Standard &

Poor's, one of those agencies, yes-terday reaffirmed its ratings, observing that the likelihood of a merger occurring soon is insuf-ficient to warrant" putting them under review.

Swiss newspapers and radio and television stations concentrated heavily on the story yes-terday, with the emphasis of the commentary being on the political unacceptability of the probable job losses.

Some estimates put the losses as high as 10,000, which would be

hard to absorb with the Swiss ployment rate at a postwar record of 4.6 per cent. Zurich's Tages Anzeiger, which broke the story, said CS Holding was prac-tising "nasty blackmail". In the City of London, where

both banks have large wholesale operations, there was also anxi-aty about job losses. UBS, which employs 2,500 in London, admitted there were sizeable overlaps with CS, which employs about 4,000 in the City.

By coincidence, Mr Mathis Cabiallavetta, the UBS chief executive, had a meeting with financial analysts in Zurich yesterday. According to those present, he said the board would only decide thinking about the idea.

sceptical. An official of one big Frankfurt-based bank, said: "If it happens, it will be a sensation. It's still not certain that it will, but this will certainly unleash a new discussion about Germany's

banking structure."
Big German banks, led by
Deutsche Bank, have been moving deeper into the very areas in
which a merger of CS Holding
and UBS would add a strong new competitive element - global investment banking, asset management and securities dealings.
"This could change the competitive situation enormously," the

official added. Another Frankfurt banker said the combination of CS's aggression and innovation with UBS's financial strength would represent "a new wind" blowing through the European banking scene. "It is not just the sheer size of such a deal but the direction which tion which the merged hank would take," he said.

Mitsubishi sued in US over sex harassment allegations

The US arm of Mitsubishi Motors, the Japanese carmaker, is being sued by the US Equal Employment Opportunity Commission over the alleged sexual harassment of several hundred women employees. News of the US casa, which

will also put a spotlight on the treatment of women in large Japanese companies in Japan, yes terday prompted a Y3 fall in the share price of Mitsubishi Motors to Y953, while Tokyo's Nikkei index rose 47.53 on the day to close at 21,791.7.

The US commission filed a lawsnit on Tuesday in Illinois against Mitsubishi Motor Manu-facturing of America (MMMA), alleging that it condoned sexual harassment and discrimination

against the women.
"This is a big employer, which for years has permitted gross and shocking sexual discrimination to be perpetrated upon its female employees," claimed Mr Paul Iga-saki, vice-chairman of the com-

The case involves several hundred women employees who charge that male colleagues demanded sexual favours and called them obscene names, and that promotions were denied when those favours were refused The damages being sought amount to as much as \$300,000 per person. The commission said at least 100 female employees were interviawed about alleged harassment, and that as many as 700 workers may be eligible for damages. The company employs 4,000 workers and about 20 per cent are women.
Mitsubishi Motors in Japan

said it had received a report about the case from MMMA, which has denied the allegations.
"Wa have been told that there has been no unfair treatment due doning of sexual harassment by employees at MMMA. We trust that that is true," a Mitsubishi representative said yesterday. "It is a local company and it is important for the issue to be handled locally

According to the charges, most Continued on Page 10

Thatcher's | PR man goes to work on Yeltsin By Diane Summers in London and John Thornhill in Moscow Sir Tim Bell, Baroness Thatcher's favourite public relations man, is advising Mr Boris Yeltsin, the Russian president, in the run-up to June's presidential elections. Sir Tim was in Moscow two weeks ago and is thought to have been behind a programme on NTV, the independent television channel; a few days ago which showed Mr Yeltsin's wife, Naina, extolling her husband's virtues.

European vets dash Britain's hopes for easing of beef ban

and George Parker and Deborah Hargreaves in London

UK hopes for a partial lifting of the worldwide ban on exports of beef and beef products were dashed last night after an overwhelming majority of European Union veterinary experts refused to ease restrictions on gelatine and tallow.

campaign. It is likely that it is through this route that Sir Tim is working for Mr Yeltsin, rather The EU's standing veterinary than having a direct contract committee did not vote on the issue, after it became clear there The latest opinion polls suggest was no support for lifting the Mr Yeltsin has been gaining

This was in spite of a recom-mendation from the European Commission to accept advice from the World Health Organisa tion that properly processed gela-tine and tallow were not at risk of contamination with BSE, or mad cow disease.

should be lifted immediately.

and pensioners and floated a peace plan to resolve the conflict "Member states are linking any easing of the ban very clearly with BSE eradication and control Opinion polls suggest Mr Yeltproposals from the UK," the Comsin's support has been rising to about 18-21 per cent of the vote compared with 25-27 per cent for ssion's agriculture spokesman

Mr Gennady Zyuganov, the Com-munist party leader. The other The result bodes ill for British hopes of an early lifting of the leading presidential candidates blanket ban, which covers all are languishing at around 10-12 exports of beef and products derived from beef. It was imposed If that outcome were replicated on March 27 after the UK said it in the first ballot on June 16, had found evidence of a possible then Mr Yeltsin and Mr Zyugalink between BSE and a fatal human brain disease

nov would face each other in a head-to-head poll in early July. But Mr Zyuganov this week questioned the impartiality of some of Russia's polling organisations and condemned the media for pandering to Mr Yelt-Sir Michael Spicer, a leading Tory Eurosceptic, said: "This ban sin and providing one-sided coverage of the election campaign.

is probably illegal and it should certainly be challenged in the courts. It is about time now that we stopped allowing ourselves to be kicked around by EU agricul-ture ministers and their advisers

like a fcotball." The government is now unlikely to see any easing in the worldwide ban before the end of the month when it is due to present a selective slaughter plan for herds most affected by BSE to

the Commission. Mr Douglas Hogg, UK agricul-ture minister, has said he will resist a wide slaughter plan demanded by the EU, but UK agriculture ministry officials con-ceded yesterday Britain would probably have to implement a policy of selective slaughter.

The ministry is drawing up plans for slaughtering groups of cattle born after the han on contaminated feed was introduced in 1988, but which later contracted

Sir Jerry Wiggin, chairman of the House of Commons all-party agriculture committee, agreed the ban was "unreasonable and unjustified" but said Britain should be wary about threatening legal action on the grounds that it could jeopardise a negotiated settlement

The safety of gelatine, used in foods such as jelly, yoghurt and sweets, and tallow, used in soaps The Ministry of Agriculture said the decision was "hitterly and candles, as well as other cosmetics containing ingredients derived from beef, is now expecdisappointing". It caused anger among Tory MPs, who insisted ted to be discussed by the EU's the ban on all beef products pharmaceutical committee in London on Monday.

Farmers may sue. Page 6

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government expects a setback.

Meanwhile, officials have told the country that it may face a

crisis from North Korea's contin-

ned aggressive stauce, warning

of a possible naval blockade.

Further reports, Page 5 Please Please

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A South Korean student delivers a flying kick to a line of riot go to the polls today and the

that turned violent in Seoul.

Thousands of marching stu-

dents defied teargas to demand

Young-sam after the long-de-layed funeral of a colleague who

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Brussels promotes loan scheme for jobs

By Neil Buckley in Brusseis

The European Commission yesterday proposed an Eculbn (\$1.25bn) loan guarantee scheme for small businesses, aimed at creating about 30,000 johs across the EU each

year. Mr Yves-Thibault de Silguy, econamic and monetary affairs commissioner, said the scheme aimed to make it easier for small businesses one of the most important sources of new jobs - to obtain loans at lower

Such companies, especially those which employed fewer than 50 peo-

ple, were often considered high credit risks, and were unable to offer the forms of security required by banks. As a result, they either falled to get

loans, or paid higher interest rates.
Finance ministers need to approve the scheme, christened Elise (European Loan Insurance Scheme for Employment), and are likely to do so since it falls within existing budgets. Under the scheme the Luxembourgbased European Investment Fund would guarantee 50 per cent of the value of loans to small companies - 75 per cent where the loans involve cross-border projects - up to a total

Preference would be given to companies with fewer than 50 employees, and only those proposing to create and the new jobs would be eligible. There is no regional preference.

Loans would be managed and granted hy intermediary financial institutions with a "solld track record" of lending to small husinesses. The European Investment Fund would not guarantee individual loans, but the financial institutions'

The Commission proposes to finance the premiums to guarantee the loans, using funds from the EU budget. Up to Ecu25m has already

forecast how many jobs might be created by the scheme, but at least 30,000 per year was the objective.

The European Investment Fund, which was set up after the Union's 1994 summit in Edinburgh, spectalises in loan guarantees for trans-European energy and transport networks, and for small and medium-

It has authorised capital of Ecu2ba, 30 per cent subscribed by the European Union, 40 per cent by the Euro-

would form an important part of the "confidence pact" for employment proposed last year hy Mr Jacques Santer, the commission president, aimed at lowering the Union's 11 per cent unemployment rate.

Mr Santer's campaign to lower RU unemployment also involves attempting - so far unsuccessfully - to persuade member governments to allow \$2.5bm in surplus Union funds to be diverted to support large projects such as construction of trans-Euro-

Tietmeyer offers solution to the problem of changing parities

Finding way through Emu ins and outs

or someone whose work-ing hours are devoted largely to preparing his own demotion and scaling back the importance of the institution he heads, Mr Hans Tietmeyer, president of the Bundesbank, gives no impression of relinquishing control.

Mr Tietmeyer, who will be 65 in August, is roughly halfway between taking up one of the most powerful non-elected offices in continental Europe in October 1993 and the time when the Bundesbank's all-pervading monetary influence will be supplanted by the European central bank if Emu starts punctually on January 1, 1999. Yet the man widely held to

he mounting a rearguard action against the single currency and the disappearance of the D-Mark was only too happy to spend much of an interview explaining bow Emu should function when not all members of the European Union will be in at the beginning.

The informal meeting in Verona of European Union finance ministers and central hank governors at the weekend will concentrate on this very question of Emu's "ins" and "outs". Mr Tietmeyer stated in detail how it should be solved in a way that both ensured the stability of Emu and left the way open for others to join.

For Mr Tietmeyer, both are equally important. A solution members of Emu: "The basic aim has to be the achievement of greater convergence between countries that join European monetary union from the start and those which stay out." But it should also shield Emn countries from inflationary pressures caused by exchange rate instability among pon-members, "It is not

its stability on the altar of a particular exchange rate."

The best solution, in his view, would be a more efficient, less politicised way of changing parities of non-Emu members by giving the presi-dent of the future European central bank a key role in triggering the process.

in the past, parity changes were often delayed too long because they involved national pride. By putting the president of the ECB at the heart of this process, the proposals envisage an enhancement of his position beyond that foreseen in the Maastricht treaty.

"He will be, so to speak, the advocate of stability in the whole system," said Mr Tiet-

National governments outside what Mr Tietmeyer calls the "euro-area" would still take their own decisions on whether to devalue or revalue. if necessary. The ECB president - "a supranational figure with a supranational role" would be in charge of a system of "regular surveillance" which would ahow when parity changes should be considered by non-Emu countries.

"I am not calling for a system of indicators with quasi-automatic results," Mr Tietmeyer said. But economic indicators would be monitored closely, with the ECB president nudging countries in the direc-tion of parity change discussions when necessary. "That could defuse the problem of

political prestige. To make the "lns" and "outs" system work, it had to be asymmetrical. Mr Tietmeyer asserted. "If the inner [Emu] core is the more stable, the others must move towards this standard." Following the correct domestic policies would be



workings had been determined.

with narrower bands, were adopted.

membership might be "optional".

Mr de Silguy suggested membership of a "flexible" system, with broad and differing fluctuation bands for different currencies, could

be mandatory. But if a more "binding" system,

However, Mr de Silguy insisted it was vital

drawing up the rules for the new system. "All

of them must play together as a team. We don't want to have some just sitting by and

for all 15 member states to co-operate in

Mr Hans Tietmeyer: Suggests putting future European central bank chief at heart of parity change process

Membership of new ERM might not be compulsory

EU member states which do not join a single currency should not necessarily be compelled to become members of a new exchange rate nechanism, Mr Yves-Thibault de Silguy, the European monetary affairs commissioner, hinted yesterday, writes Neil Buckley in Brussels. The priority for EU finance ministers meeting in Verona this weekend was to establish the broad principles for a "new mooetary system" to replace the current exchange rate mechanism, he said. It was not possible to say whether membership of

such a system would be compulsory until its means. But, recalling how tha European monetary system nearly succumbed to currency upsets in 1992 and 1993, he said: "I personally do not set While believing that non-

much store by intervention." Emu countries should have fixed parities against the euro transitional period - he wants the relationship between the "euro-area" and the "outs" to be flexible. "If parity changes are finally needed, they should occur in good time - and I mean in good time." Because the ECB, its president and directors, would be "nonnational to a considerable degree and not attached to any right to expect the euro-area to the best way, with exchange domestic policies," the task of stay stable, while sacrificing rate intervention another helping to bring these about

would fall naturally to the Frankfurt-based institution. Mr Tietmeyer's insistence on stability for countries inside and outside Emu is also reflected in his, and his colleagues', distaste for shorttermism. Thus, while the Bundesbank is prepared, ahead its opposition to the Bonn government falling in line with other EU countries and issuing short-term deht, it is not ready

to jeopardise the financial sta-bility built up over years. "We think it is right that the longer term culture should be maintained," he said. "We still consider the dominance of s short-term mentality [in financial markets] to he problem-

He also stressed that the Bundesbank would not veer from following money supply trends in deciding interest rate moves. It would see if there was room for further cuts in the discount and lomhard rates, now 3 and 5 per cent respectively, hat this would

Yesterday, it said this broad monetary aggregate grew at an annualised rate of 12.8 per cent in February, marginally higher than the provisional figure. However, Mr Tietmeyer said: Taking a longer term, view, we are in the corridor (the 4-7 per cent target range for M3 this year! Now, we will see how things develop further." On the other hand "there is

no question of an interest rise

in the foreseeable future". The Bundesbank would not be rattled by fifters on the US bond market. "We do not orient our policies towards the US business cycle, but to ours."

This was his only reference to developments ontaide Europe. He preferred to discuss Emu and his expectation that Germany's economy would recover this year. At a time when the country was having trouble meeting the Maastricht criteria on budget deficits, he stressed that Emn would require hard work by all potential members if it was to suc-

"I am not arguing for a postponement," he said referring to his recent comments that a delay beyond January 1, 1999 might be better than a later

"If Emn works, it will be of great benefit for Europe, eco-But it is not a panacea. My message is that we have to do something to make it happen and not believe it is heavensent. We must work hard for lt." If the Bundesbank is to lose its power, Mr Tietmeyer is determined to ensure its legacy

Andrew Fisher and Peter Norman

Yeltsin hints at nuclear concessions

By John Thomhill in Moscow

President Boris Yeltsin hinted yesterday that Russia would adopt a highly conciliatory position when leaders of the Group of Seven industrial nations gather in Moscow next week to discuss nuclear security issues.

He told a meeting of his security council that Russia would be prepared to accept wider international scrutiny of its nuclear facilities and encourage greater co-operation between all eight countries' security services to prevent the smuggling of nuclear materials.

"Russia is making serious efforts to ensure the security of the nuclear energy sector. But these issues cannot be properly addressed solely through national programmes," he said. Mr Yeltsin said he planned to invite foreign experts to assess the condition THE FIVANCIAL TIMES
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of Russia's oldest nuclear power plants and would allow the International Atomic Energy Authority oversight of a nuclear storage site at the Mayak plant in the Urals. This plant, being huilt with US help, will contain 40 per cent of all the country's weapons-grade pluto-

The uncertain condition of Russia's vast nuclear arsenal has caused increasing alarm around the world especially following a spate of nuclear smuggling incidents since 1993. Much of its estimated 1,200 tonnes of

fissile material is kept in poorly pro-tected storage patrolled by demoralised and underpaid guards, sparking fears that terrorist groups or states could steal the components needed to build a secure its nuclear facilities and decommission its nuclear weapons. But fur-ther western initiatives are expected at next week's summit.

At its height in the mid-1980s, Rus-sia's nuclear arsenal consisted of 45,000 weapons, but it has been reduced at a rate of about 2,000 a year since 1986.

Despite Mr Yeltsin's rhetoric, the Russian authorities have in practice proved obstructive to some western aid initiatives. The atomic energy ministry. which was once at the heart of the Soviet Union's secret state and continues to oversees the hulk of Russia's nuclear storage sites, has been deeply sceptical of western intentions in offer-

The authorities have also clamped uclear bomb.

The US government is spending down fiercely on western environmental organisations trying to monitor about \$800m a year to help Russia radioactive leakage from sunken

nuclear submarines in the Barents Sea Mr Yeltsin vowed to complete the withdrawal of all remaining unclear weapons in the Soviet arsenal from Ukraine and Belarus by the end of the year despite suggestions that Moscow night try to link this process to broader

European security issues.

Some military officials in Mescow and in Minsk, capital of Belarus, had been pressing for Russia to drag lts heels on weapons withdrawals unless Nsto slowed its plans to expand eastwards. But Poland's President Alexander Kwasniewski, who was in Moscow yesterday for talks with Russian leaders, said he was confident Russia would remove all nuclear weapons from Bela rus as previously promised. But he reaffirmed Poland's determination to Join Nato despite Russia's objections.

Seasonally adjusted unemployment rises for eighth month in a row

German jobless at record levels

By Peter Norman

German unemployment continued to hover around record levels last month. prompting the main opposition Social Democrats to urge the government to abandon budget consolidation and borrow more

to boost the economy.

The federal labour office yesterday reported a "disappoint ing" drop in March. Although the unadjusted figure fell by 129,000 to 4.14m, from February's record 4.27m, seasonally adjusted unemployment rose for the eighth month in a row - hy 26,000 to a new high of just under 4m.

618 6088 Printer: AB Kvillstidinasen Eupressen. PO Box 600°, \$-550 06, Jonkopine C The Funnish Times Limited 1996. Editor: Richard Lambert. co The Funnish Times Limited. Number One Southwark Bralge, London \$E1 9HL The latest "headline" total was the highest for March in the history of the federal republic and was 467,000 up on

unadjusted figures, 10.8 per cent of the labour force were without work last month compared with 11.1 per cent in February and 9.6 per cent in March last year.

Mr Bernhard Jagoda, head of the labour office, blamed unusually cold weather and the onset of recession in the construction industry.

He added that the labour market statistics showed no sign of a trend for the better. in the first quarter, 2.05m people registered as unemployed, 19 per cent more than in the same period last year. The number of people on short-time working as an alternative to unemployment rose to 420,000 in March from 403,000 in February and 231,000 at the end of last year. There was also a fall a year earlier. According to the in the number of people in set tax revenue shortfalls aris-

employment: to 3141m to January from 34.85m in December, according to estimates from the federal statistics office. There were 260,000 fewer employed in January than in the same month year.

In response to yesterday's news, SPD politicians warned the government against "destroying the economy" through tough budgetary poli-cies. Mr Ernst Schwanhold, the party's economic policy spokesman in the Bundestag, said plans to cut public spending meant a "danger that Germany would slide into a deep recession". Ms Ursula Engelen-Kefer, a deputy chairwoman of the DGB trade union federation and a member of the SPD

leadership, called for increased

government borrowing to off-

However, officials insisted yesterday that the government would stick to its course of comhatting unemployment through its 50-point programme of changes to promote deregulation, restructure business taxation and reduce nonwage labour costs. Politicians from the coalition parties meet this week to iron out differences over the proposals and Chanceller Helmut Kohl has scheduled talks with senior ministers and party officials after his return from vacation

on Sunday. Yesterday's figures showed that 2.87m or 9.3 per cent of the laboor force were unemployed in western Germany in March against 1.27m or 17 per cent in the former Communist eastern

Russian oil shares deal defended

By John Thomhill

Russia's higgest oil companies yesterday dismissed suggestions that the government would unscramble its controversial "shares-for-loans" privatisations and buy back packets of shares it had transferred to leading banks last year. Such talk reflected political rhetoric ahead of the presidential elections rather than eco-

nomic reality, they said. Last year, the Russian government raised Rbs2,400bn (\$490m) by transferring its shareholdings to big oil companies such as Lukoil, Yukos, Sidanco, Surguinestegaz, and Sibneft to a group of banks but retained an option to buy them back before September.

Mr Alexander Kazakov, privatisation minister, hinted this week that the government might exercise this option although it had not budgeted to do so. "The state should preserve its influence in oil

companies." Mr Kazakov spid. Russla's Communist party has tried to milk the controversy surrounding the Byzantine "shares-for-loans" privatisations and vowed to overturn all "criminal" deals. That has increased the political pressure on the government to scheme.

In an interview last month. Mr Yuri Shafranik, the energy minister, indicated the government would adopt a purely pragmatic view towards the share-for-loans" privatisations and leave the shares in private hands if the nil companies had benefited from the association with their new EUROPEAN NEWS DIGEST

Slovenia gives in to rail strikers

The Slovenian government yesterday gave to to a pay claim by railway workers six hours after they started a national strike. The railway union had already accepted a 6.2 per cent salary rise after demanding 28 per cent, but had held out for a 20 per cent supplement for Saturday work. The management had offered 15 per cent.

The average monthly wage of railway workers was 119,000 tolars (\$880) in January, the same as the national average. During the strike around 70 per cent of domestic trains did not run but international trains - protected by Slovenian law ran as scheduled

The rail strike is the latest outhreak of industrial action in Slovenia, where the ruling centrist Liberal Democrats of prime minister Janez Drnovsek, in coalition with the rightwing Christian Democrats, must hold an election by December.

A strike by doctors and dentists in the former Yugoslav republic continued for a fourth week, leaving only emergency services operating normally. Their union was demanding a 25 per cent pay rise from January but the government said it could only raise salaries gradually to avoid similar demands from other public sector unions.

Bulgaria to overhaul its railway Bulgaria's debt-ridden state railwsy company, BSRC, is to close lines, cut jobs, raise fares, sell assets and set up joint ventures with foreign partners to a series of efficiency

measures announced yesterday.

Charges for carrying freight will rise by up to 20 per cent from July 1 and passenger fares will rise from June 1 on a scale pegged to the inflation rate and a planned increase in

The railway has had to delay setting up a joint venture with a plant producing sleepers for railway tracks and electric pylons in the Dannbe river port of Svishtov due to disagreements with a bidder, said the deputy executive director, Mr Yordan Mirchev. Another joint venture will be set up soon between a Sofia plant for railway points and Austrian engineering company, VAE Eisenbahnsysteme, Mr Mirchev said. The venture will sell its production in neighbouring

countries in the Balkans. The BSRC executive director, Mr Anguel Dimitrov, said the railway lost 2.7bn levs (\$34m) in 1995, mainly due to a drop in passengers and infrastructure expenditure. The company's liabilities to the state budget, banks and suppliers totalled 7bn levs, he said, and subsidies this year would total 10.5bn levs, including 5bn levs from the European Bank for Reconstruction and Development as part of a \$45m loan aimed at the railway's

Brussels approves Bosch deal

The European Commission yesterday cleared Germany's Robert Bosch to buy Allied Signal's worldwide hydraulic brakes business, including its anti-lock brakes systems (ABS).

It said that although Bosch's share of the market for ABS systems was about half in Europe and 30 per cent globally, the deal was unlikely to reinforce the German company's position because Allied Signal had "low market shares" worldwide and in Europe and its ABS business "has not been successful

Brussels believes that Bosch will face stiff competition from TTT, Lucas, Kelsey-Hayes and Nissin Kogyo, and that Bosch and ITT (which has more than 5 per cent of the ABS market) are unlikely to create an oligopoly because of the power of the

Approval was also given yesterday for a seeds joint venture between the British agrochemicals and drugs company Zeneca and Co-operative Suiker Unia of the Netherlands. The two companies are to pool their global seeds businesses, Zeneca Seeds and Royal VanderHave Group.

■ Brussels is starting infringement proceedings against France for refusing to allow a Greek cement company to open a distribution and storage centre in the harbour area of Grand Couronne, near Rouen. It said the French had imposed on Intertitan, part of the Titan group, while French companies were subject to less strict rules. .

Andreotti trial to begin again



A judge yesterday halted the trial on Mafia charges of Italy's former prime minister. Mr Giulio Andreotti (left), and ordered that it start again from scratch on May 15. The decision by presiding judge Francesco Ingargiola resulted from the illness of one of two associate judges sitting with him on the bench. Mr Andreotti's trial opened in the Sicilian capital, Palermo, last September but the court has not sat properly since January 10 because of the absence of a judge who has been suffering from a detached retina. The presence of both associate judges is necessary under Italian law

The trial will now have to start again with initial procedural matters, but both prosecution and defence want at least some of the testimony already presented to be integrated into the new proceedings to save time.

Mr Andreotti, seven times prime minister, denies charges he was the Maña's political protector. He is due to stand trial from today in the central city of Perugia on a separate charge of complicity in the murder of a journalist. Reuter, Palermo

Takeover of Czech sell-off body The Czech Privatisation Ministry, which has overseen the sale of thousands of state companies, expects to close its doors and wind down operations by June 30, a ministry official said

The government approved the closure of the ministry in one of its autumn sessions last year.

Parliament has said it will discuss the issue during its

session starting on April 16, its last before general elections on May 31-June 1. The Finance Ministry is to take over responsibility for sell-offs.

Norway's inflation falls to 0.7% Norway's inflation rate fell to 0.7 per cent for the 12-month period ending on March 15, from 0.9 per cent a month earlier. he government statistics agency announced yesterday.

Statistics Norway said a significant factor was a cut in taxes which reduced new car prices by an average 4.6 per cent from January 1. The consumer price index increased 0.5 per cent to 261.3 in March from 260.1 in mid-February. The index was 259.4

Russian oil pipe leaks into river Oil leaked from a pipeline into the Krepkaya river in the

southern Russian region of Rostov yesterday, but it was not clear how big the spill was, the region's emergency officials They said oil flow through the 700mm-wide

Tyumen-Novorossiisk pipeline had been stopped and there was little threat to the environment, but could not say how much oil had leaked out.

Civil defence officials said they feared the oil could flow from the Krepkaya into the Don river, which provides drinking water for the whole region. They said the oil had covered a 30km stretch of the Krepkaya after the leak early yesterday. Fire brigades had been called in to make sure the

es crimal its railia

trant to begin to

NEWS: EUROPE

Strikers to test Parties seek new angle in Pythagoras land **France** Crotone, once which put an end to the violent the bome of dispute by promising the town Pythegoraa, special status as a development **Télécom** the mathemati-

By David Buchan in Paris

The French government's plan for partial privatisation of France Télécom meets its first – and perhaps last – serious test with today's strike called by unions demanding the state retain full nwnership of the public utility.

The government is waiting to see how strongly the strike is supported to gauge whether and when to proceed with legislation to give France Telecom its own capital. It then hopes to sell up to 49 per cent to employees, private inves-tors and companies such as Deutsche Telekom and Sprint of the US, with which France Télécom has formed industrial partnerships.

The unions are hoping that many more than half France Télécom's 155,000 employees will stage a walk-out today. The workforce is more exercised by the partial privatisa-tion plan for their company than the new government bill on telecoms deregulation which still leaves France Télécom responsible for hasic phone services after 1998.

The unions have not been mollified. by government assurances that the state will indefinitely retain 51 per cent of France Télécom and that employees will keep their civil service status with associated job security and pension privileges. They say it is highly unlikely that even a partially privatised company can contime to employ civil servants.

The government has left it to Mr Michel Bon, the France Télécom president, to reach some consensus with his workforce on privatisation. The unions have refused to negotiate with the France Télécom management, though the latter has tried a novel way of side-stepping this by opening an internal Minitel service to respond to employees' enquiries on privatisation.

These enquiries, running at several thousand a day, focus less on the principla of privatispation than on its consequences for pensions and work



ITALIAN ELECTIONS

a crisis area".

town. It is that rare southern April 21 Italian phenomenon, an industrial centre. The town is also a reminder to national politicians that it is risky to generalise about the poor southern tip of Italy. As Mr Gaetano Grillo, Crotone's mayor, puts it, his town is "both a development area and

cian and phi-

losopher, is

exceptional not

for its Greek

ruins but for

the smoking

factories which

line the beach

to the north of

the Calabrian

The crisis came to a head in September 1993, when workers from the state-owned Enichem phosphorus plant, desperate about the prospect of joh cuts and exasperated by the government's apparent failure to understand their plight, vandalised the factory, blocked the railway tracks and poured burning phosphorus on the main road.

The government of the time, under Mr Carlo Azeglio Ciampi, agreed a compromise

area. Threatened jobs would be redistributed to new employers, and a consortium set up to promote the area. Now two of the workers' leaders from 1993 are fighting on opposing sides in the April 21 election - Mr Rocco Gaetani for the the Democratic party of the Left (PDS). the principal party in the cen-tre-left alliance, and Mr Carlo Turino for the right-wing National Alliance (AN).

AN victory would be "a miracle". The area's deep industrial roots mean it has been dominated by the left for more than 50 years, and it was once dubhed the "Stalingrad of the South". Mr Gaetani's solid platform for election to the lower house of parliament is based not only on his credentials as a workers' leader in 1993, but his role as deputy mayor. Mr Turino's view of Crotone,

Mr Turino admits that an-

therefore, is the more pessimis-tic. He says the accord which ended the Enichem dispute has not done away with feelings of frustration. He states that six out of every 10 young people are out of work, while Mr Gaetani claims youth unemployment is 35 per cent.

The left says the presence of heavy industry has saved Cro-



organised crime which blights other parts of Calabria; the right claims rising unemployment is providing new recruits for Mafia clans. But hoth sides know that the overriding election concern in Crotone and the south is the ability of Rome to deliver on campaign promises for the region.

There is no shortage of rhetorical commitment to the area. Many national party leaders are heading the election lists in Calabria, for example, in an attempt to demonstrate their willingness to tackle the region's problems. But Mr Gaetani of the PDS believes that although the strategy is understandshle, it may blur the important message that Calab-ria's problems are now best solved by Calabrians.

The Crotone development

between unions and governgrowth of small and mediumsized enterprises, reducing the co-operation now being taken risk that the decisions of a sinup across southern Italy. The gle employer could provoke another crisis like that of 1993. consortium groups eotrepreneurs, trade associations and Mr Salvatore Foti, the local local representatives of Eni, businessman who heads the Enichem's state-controlled parconsortium, is optimistic about ent. It is about to launch an the local will to create new job invitation for industrial investopportunities with government ment projects, which will benehelp in infrastructure and fit from government and Euro-

pean Union funding.
The aim is to promote the Mr Gaetani says this is exactly the goal of the centre-

areas and intervening on the ground". It is a theorem of Pythagorean simplicity. But in proved unable to make training infrastructure and inward investment coincide. The south is littered with "cathedrals in the desert", massive state-funded projects which failed to prosper because of corruptioo or bad planning. In steering Crotone towards development. any government will have to tread a thin line between intervention and arms-length

left, "looking for depressed

Andrew Hill

Bosnian Serbs win aid talks seat | Turkish business leader

By Laura Silber in Beigrade

The Bosnian Serhs were yesterday given the go-ahead to attend an international donors' conference this weekend on aid for reconstruction. Mr Carl Bildt, the interna-

tional mediator responsible for implementing the civilian side of the Dayton peace eccord. sald the Bosnian Serbs had complied with a pledge to release prisoners of war. Until yesterday he had blocked their attendance because they had failed to free remaining prisoners by a deadline of midnight last Friday.

"Since yesterday afternoon they (the Bosnian Serbs) are in full compliance in the same way the (Moslem-Croat) federation side has been for the last three deys," Mr Bildt told

The Belgrade authorities yesterday unexpectedly detained as suspected war criminals 13 men from the fallen eastern enclaves of Srebrenica and Zepa, just before they were to board buses to return to Bosnia from a refugee camp inside Serbia, writes Laura Silber. The men were some of several hundred Bosnian Moslems who fied the Serb onslaught against the enclaves last July Mr Marwan Elkhoury of the UN High Commissioner for Refugees said yesterday that he was "dismayed and deeply concerned about the continuing detention" of the group, whom the Serbi-ans had previously screened and cleared for repairiation.

reporters in Sarajevo. "That is the most important thing. The offer for them to participate is now there." More than 50 countries and

25 international organisations are due to ettend the conference, which starts in Brussels tomorrow. It will he hosted jointly by the European Com-. mission and the World Bank, . with the aim of raising \$1.2bn dollars for emergency recon-

government army. Frustrated by the former

warring parties' delays in implementing the Dayton accords, Mr Bildt had threatened to exclude them from the reconstruction conference unless they freed prisoners of war or submitted their names to a list of suspected war criminals at the international tribunal in The Hague. Yesterday Mr Bildt said the

new strategy of taking a "very firm line" on the prisoner issue Over the past week, the three sides have freed more than 200 prisoner and now hold 29 people as alleged war criminals, In Sarajevo, President Alija Izetbegovic appealed to Islamic countries to help rehuild post-war Bosnia and arm a Bosnian

The help that we expect from Islamic countries in equipping the army and economic reconstruction of our country will be definitely one of the strongest fectors in strengthening and building a stable peace in this part of the world," said Mr Izetbegovic who yesterday hosted a meeting in Sarajevo of the Organisation of the Islamic Confer-

calls for end to 'chaos'

By John Barham in Ankara

The bead of Turkey's main business organisation yesterday called on the two conservative parties in the new coalition government to stop hickering and take urgent action to deal with the country's mounting problems. Mr Halis Komili, leader of

Tustad, said: "The parties know well that unless they make some positive, measur-able headway towards solving the problems of our country, they do not stand a chance of increasing their share of popular votes.

"Moreover they understand that more delays will lead to more chaos given the magnitude of the economic, social and political problems." Although Mr Mesut Yilmaz.

leader of the cooservative Motherland party, took office as prime minister more than a month ago, rivalry with his coalition partner, the True Path party led by Mrs Tansu Ciller, has blocked senior economic appointments, delaying design of a coherent economic strategy. For instance, there is still oo ceutral bank governor and parliament is still debating the 1996 budget.

Many observers fear that the fragile government, which is 15 seats short of e majority in parliament, could soon collapse, further strengthening the appeal of the Islamist

AMERICAN NEWS DIGEST

part of its overall recovery plan.

Call to freeze

Lloyd's funds

The California state securities regulator yesterday refiled its

amended complaint against Lloyd's of London seeking an

injunction to freeze \$500m of Lloyd's funds held with its US

bank, Citibank. The move, signalled in February, threatens to prevent Lloyd's collecting significant sums from US Names as

"Seeking the preliminary injunction against Lloyd's is the

only way the department can ensure that Lloyd's ends the fraud that it has perpetrated against California Names and stops its current violations of state securities laws," said Mr

Peter Kezirian for the California Department of Corporations.

department claimed its actions would oot have an impact on

The compliant had to be refiled due to a technical error. The

Refah party, the main opposi-

Mr Komili said that far from facing imminent collapse, the new government reflects a national consensus in favour of market-oriented policies.
"The partners know that they will have to make this government last," he said.

Yet, he complained, "there are still people in Ankara wbo think they can get by without tackling the country's real issues.'

These are a \$5bn annual government budget deficit, beavy interest paymeots on the domestic debt, a stalled privatisation programme and inflation that reached 79 per cent

NEWS: THE AMERICAS

Venezuela to remove forex controls



Caldera: to announce measures next week

By Raymond Colitt in Caracas and agencies

The Venezuelan government is to remove all foreign exchange controls, which have been in place since June 1994. Mr Teodoro Petkoff, the planning minister, yesterday said that the measure was likely to he announced early next week hy President Rafael Caldera as part of a global economic stabi-lisation plan.

Mr Petkoff said foreign exchange controls would be removed both on current and capital account transactions. The holivar would then be allowed to float against the dollar, with the Venezuelan Central Bank intervening to prop up the holiver, he said. Previously it was widely expected that only current account transactions would be liberalised in order to avoid

excessive capital flight. Venezuala is currently in

Monetary Fund for a stand-hy agreement of up to \$2.5bn aimed at curbing the nation's worst economic crisis in years, part of which would be to help recuperate reserves after the liberalisetion of the foreign exchange regime.
"We should have a prelimi-

talks with the International

nary agreement [with the IMF] in a very short time," he said. Mr Petkoff did not say whether the holivar would float immediately or whether a band system would be used. He said however that the bolivar was likely to find itself trading against the dollar somewhere between the official, fixed rate and the parallel market rate.
The government set the boli-

var at 290 to the dollar on December 11. On the parallel foreign exchange market estab-lished by the trading of Ven-ezuelan Brady bonds, the dol-Toesday at 463-468 bolivars, up

from 455-460 bolivars on Mon-

Mr Petkoff expressed his confidence that the central bank's internstional monetary reserves, currently just under \$10bn, were sufficient to stem a possible run on the US dollar. Though he did not clarify bow much capital he expected to leave the country, he said "there aren't enough bolivars in the Venezuelan economy" to consume all of the reserves.

Yesterdsy the stock exchange reacted bullishly in response to Mr Petkoff's announcement. The Merinvest composite index rose to 177.97 at mid-day yesterday, up 4.65 per cent over Tuesday, while the bolivar sporeciated slightly in the parallel exchange market. If the government fails to implement the measures, inflation could hit 150 per cent this year and the economy could shrink by 6 or 7 per cent, said

Major points of contention hetween the IMF and Venezuela included raising the price of heavily subsidised gasoline that is among the cheapest in

the world, officials have said. The economic reforms are expected to provoke a sharp short-term jump in inflation that already is the highest in Latin America. Accumulated inflation was 57 per cent last year and has shot up to 24 percent the first three months of this year.

To cushion the hlow, the government will provide 400bn bolivars in subsidies to the poor, who make up 80 per cent of the population, Mr Petkoff

A rise in gasoline prices in 1989 provoked mass riots in which security forces killed hundreds of people. Mr Petkoff said Venezuelans were now convinced austerity measures were necessary to turn around the economy. any payment on valid insurance claims. Up to 100 other defendants are named in the papers.

Lloyd's is also alleged to have known about unquantifiable liability for pollution and asbestos losses since 1970, but continued to recruit new investors for those syndicates without disclosing this liability. All the allegations have been Jim Kelly, Accountancy Correspondent

Odd couple do battle again

One of Washington's oddest political couples - Ms Mary Matalin, Republican strategist, and Mr James Carville.

Democratic adviser to President Bill Clintoo - are set to face off again over campaign politics, with Ms Metalin due to join Senator Bob Dole's campaign for President.

Ms Matalin, who was deputy director of former President Bush's unsuccessful 1992 re-election campaign, is to join the Dole campaign in June. Her husband, James Carville, was lead strategist for

President Clinton's 1992 campaign. He is expected to take a formal role in the Clinton re-election campaign later this Patti Waldmeir and Nancy Dunne, Washington

Arrests in Mexican probe

Mexican police have arrested an accountant and a businessman who allegedly acted as frontmen for Mr Raul Salinas, the elder brother of former president Carlos Salinas, who is in jail on charges of embezzlement and murder. Police said the two men, Juan Gomez Caro and Jesus Gomez Portugal, had allowed Mr Salinas to register some of his properties under their names for tax evasion purposes. Their arrest forms part of an investigation into Mr Salinas's inexplicable enrichment" during his career as a civil servant. Mr Salinas was arrested in February 1995, three months after his brother stepped down from office, accused of plotting the murder of a leader of the ruling Institutional

Revolutionary party. He was later charged with Montserrat evacuation likely

The anthorities in Montserrat are considering the evacuation of most of the island's 11,000 people to neighbouring islands if scientists confirm the imminent eruption of a rumbling

Several thousand people have already been moved from their homes to the north of the island, which is considered safer ground in the event of an eruption by the Lang Soufriere volcano. Plymouth, the capital of the island, is deserted. Scientists have said that the volcano could erupt with little warning, following an explosion which sent a dust cloud 20,000 feet into the air, accompanied by emissions of rocks and flows Canute James, Kingston

Convert Republican loses Texas nomination

By Patti Waldmeir in Washington

In an embarrassing defeat for the Republican establishment, congressman Greg Laughlin, e Democrat who turned Republi can, lost his bid for his new party's nomination in the 14th congressional district of Texas. Senior Republicans from former President George Bush to Mr Newt Gingrich, the House speaker and Mr Dick Armey. House majority leader, endorsed Mr Laughlin in a blitz aimed at preventing his defeat in a run-off primary

election on Tuesday. Such heavyweight Republican endorsements would not normally be forthcoming for candidates in congressional l'umaries. But Mr Laughlin was no ordinary congressman: he was a prize convert, rewarded for his conversion with a much coveted place on the House Ways and Means committee after making the

switch last June. Republican leaders regularly boast of the conversion of congressman Laughlin and some

200 other Democratic officeholders, to prove that there is a Republican revolution taking Mr Laughlin, a four-term

place in American politics. incumbent, was one of five congressmen who switched to the Republican party after its 1994 landslide. Party leaders were keen to avoid sending the message to other potential converts that switching parties is a sure path to defeat. Texas Governor George

Bush, the former President's son, campaigned heavily for Mr Laughlin, saying more shifts in party loyalty were essential for the success of the Republican revolution.

Mr Laughlin's loss will surely embarrass the party and its leaders, who provided beavy campaign funding as well as endorsements: 53 fellow House Republicans sent \$45,850 in contributions to the Laughlin campaign in its final

But the message from 14th district Texan voters is harder to read: for the race was one: between Republicans, a run-off made necessary whan the

party primary on March 12 failed to yield a clear majority for any candidate. Tuesday'a poll, which was

won by Mr Ron Paul, a former Republican congressman who ran for President in 1988 as a libertarian, was no rebuff to conservative Republicanism. Both candidates trumpeted their conservative credentials throughout the race with Mr Paul claiming to he the truer conservative, citing Mr Laughlin's discarded Democratic political identity as

Meanwhile, in another Texas npset on Tuesday, a high school teacher who cam-paigned from a pickup truck, with almost no funds and no staff, captured the Democratic nomination in a run-off primary election for the Senate. Mr Victor Morales, grandson

of Mexican immigrants; defeated Representativs John Bryant, a 14-year House veteran. In November's general election, he will face incum-bent Senator Phil Gramm, who recently withdrew as a candi-

Ron Brown has hero's funeral in Washington

Clinton leads mourners for dead cabinet minister

By Patti Waldmeir and Nancy Dunne in Washington

President Bill Clioton yesterday led US political and civil rights leaders in a hero's funeral for Mr Ron Brown, the commerce secretary, who died in a Balkan air crash last week. Mr Clinton and members of his cabinet stood in silence as Mr Brown's casket was brought by military hon-our guard to the National Cathedral in Washington.

Mr Brown and 32 other Americans were killed when their military passenger jet hit a mountain ridge while trying to land in Dubrovnik, Croatia, in bad weather. The group, which included a dozen US business leaders, was in the war-shattered former Yngoslavia to explore opportunities for investment in reconstruc-

tion projects. Yesterday's funeral, a tribnte of the sort normally reserved for former presidents and war heroes, followed a day

of mourning during which Mr Brown's flag-draped casket lay in state at the Commerce Department, on the same hier built in 1865 to bear the body of President Ahrabam Lincoln. All day Tuasday and through the night, mourners queued in a chill rain to view the casket of a man who was an important black political figure and a power-player in Democratic politics. The display of public grief at his

ted, in order to accommodate the large crowds. But when President Clinton rose yesterday to deliver the funeral enlogy, he sought to celebrate Mr Brown's life rather than mourn his death, injecting a tooe of light humour in his address which raised laughter from the 3,000-

death was unexpected, and

mourning had to be extended

beyond past the 24 bours allot-

strong congregation. In a subtle address which seemed to capture the mood of

from the dead man's Harlem childhood - including the young Roo Brown's illicit sales of the antograph of heavyweight champioo Joe Louis - and from bis own long political association with him. The president also drew

smiles with references to the Secretary's sartorial elegance. Acknowledging Mr Brown's role in getting him elected as president, Mr Clinton said: "I want to say to my friend one last time: Thank you. If it weren't for you, I would not be

After the cathedral service. a funeral procession was due to retrace Mr Brown's life symbolically, wending its way through a black urban neighbourhood and the heart of official Washington on its way to Arlington National Cemetery, final resting place of many of the nation's most illustrious

Aérospatiale chief backs Airbus reform

Work on Airbus aircraft is currently shared out in accordance with each partners' stake in the consortium.

David Buchan in Paris

Mr Louis Gallois, the chairman of Aerospatiale of France, yesterday threw his company's weight behind a radical restructuring of Airbus Industrie, calling for an end to the European aircraft consortium's tradition of allocating work in accordance with the sbareboldings of its partner companies.

Speaking on the day that Airbus won a \$1.5bn order from China. Mr Gallois said Airbus should be free to seek out low-cost suppliers, even if tbese were not its European shareholding companies.

He accepted that his propos als meant Aerospanale would have to compete against other manufacturers to win Airbus contracts and might eud up with less work than it had now. His proposal would mean the end of the Airbus practice of juste retour, under which the consortium's partner companies are guaranteed a certain proportion of aircraft manufac-

turing work.
The UK has been a strong advocate of turning Airbus, the world's second largest aircraft maker, into a limited company, The UK recently received support from the German government, which said it would not subsidise the huilding of new Airbus aircraft unless the consortium changed its structure. Mr Jean Pierson, Airbus manAirbus: more competition in the flight plan?

The share-out

Dasa holds 37.9%

BAe holds 20% Casa holds 4.2%



president of Aerospatiele 'It is in the interest of Airbus to

with 4.2 per cent.

Aérospetiale makes the high-technology portfolio, including the cockpit. Dasa produces the fuselaca BAe manufactures the wings

aging director, has also called for Airhus to become a limited contract its work out to lower cost manufacturers. As a limited company, they say, it company.

Airbus is a Groupement d'Incould drive down costs and teret Economique, which means its profits and losses compete more effectively with

Boeing of the US, the world's accrue to the companies that own it rather than to the conbiggest aircraft manufacturer. Some in the industry claim sortium itself. Airbus is owned Aérospatiale is the strongest hy Aerospatiale, Daimler-Benz opponent of any change in the Airbus structure but Mr Gal-lois strongly denied this, He Aerospace (Dasa) of Germany, each with a 37.9 per cent stake, British Aerospace, which has 20 per cent, and Casa of Spain said Airbus needed to become a limited company because air-lines were demanding it. He said: "They want to be reas-sured ahout the future of Air-The four partner companies are allocated work on Airbus aircraft in accordance with bus and they think the future of Airbus is linked to the transtheir shareboldings. Critics of the GIE structure say it preformation of ts status into a

soon have more than 2,000 aircraft in service and it had to be able to react more quickly to customer demands. It could do this more effectively if it was a company in its own right.

A committee under the lead-

ership of Mr Edzard Reuter, former chairman of Daimler-Benz, is due to report at the end of May on whether the structure of Airbus should be changed. Mr Gallois said, how-ever, that Airbus could not be transformed overnight. "I don't see the Airhus Industrie company becoming independent of the shareholders from day

Airbus would be the only aircraft manufacturer making



Jean Plesson dec wants Airbus to Secome a

said, as Boeing and McDonnell Douglas of the US had large military husinesses. He said the partner companies would have to work to ensure that the financial markets accepted the Airbus company's viability. He said the partners would

have to decide whether, after a transitional period, all their Airbus manufacturing facilities would be transferred to the new company or wbether Air-bus should have the right to choose its suppliers freely. He said, however, that transferring all the partners' Airbus facilities to the newly formed company would limit its freedom to seek out the lowest cost

suppliers. He said: "I think it is in the

interest of Airbus to open itself to competition. If we put every facility inside Airbus, that means there's no competition." Did Mr Gallois accept that in a fully competitive system. Aérospatiale might end up with less than 37.9 per cent of the work? "Yes - or more," he said. "We are fully confident

about our competitiveness."

Mr Gallois rejected the view that Aérospatiale was less competitiva than BAe. He said Aérospatiale was overwhelmingly a civil manufacturer. while BAe's business was predominantly military, where margins were higher. He said that while he had the highest respect for BAe's management. the UK company had had the advantage of operating in sterling rather than the strong French franc.

He said once Airhus had been Incorporated, Aérospatiale, Dasa and BAe should work towards a closer integration of their businesses. He said the three companies were tco small on their own to com-pete with the large US aero-space and defence groups.

"Airbus is so important to the three companies and we have so many links outsida Airbus that we need a permanent convergence between our

But he was still unclear what form this rapprochement should take. "It could be finan-cial, it could be technical," he WORLD TRADE NEWS DIGEST

Unilever to make ice cream in Vietnam

Vietnam has approved a \$22m ice cream manufacturing venture by Unilever, the Anglo-Dutch consumer products venture by Unilever, the Anglo-Dutch consumer products group, to produce and sell Wall's ice cream. Ice cream sales have risen in the cities since economic reforms took hold in the early 1990s, boosting disposable incomes. The plant, to open next year, will be in Cu Chi district, 35km north of Ho Chi Minh City. The site is not far from the Cu Chi tunnels, a vast network of underground passages used by Vietnamese guerrillas during the Vietnam war and now a popular tourist attraction. The area has also started to attract an increasing number of firelem investors seeking to escape high land and number of foreign investors seeking to escape high land and labour costs in Ho Chi Minh City. About 80 per cent of the raw and packaging materials would be obtained locally.

Baskin-Robbins, the US ice-cream maker, already has three franchises in Ho Chi Minh City and one in Hanoi, where a groom sells for \$1.00. scoop sells for \$1.90.

Sumitomo opens S Africa office

Sumitomo Bank, one of Japan's largest, is to open an office in Johannesburg, becoming the first Japanese lender to operate in South Africa. The office will collect information for Japanese companies planning to do business in the country. The bank hopes to contribute towards the development of long-term economic relations between Japan and South Africa. Japanese investors have been reluctant to invest in South Africa, though In the last few years a number of companies have opened offices there. Two years ago, Sumitomo Corporation became the first Japanese company to invest in the country in the post-apartheid era, when it set up a joint venture with a local mining company.

Gerard Baker, Tokyo

BMW and Jaguar target Japan

Luxury car makers BMW and Jaguar yesterday announced marketing and sales drives in Japan. The Japanese unit of BMW yesterday launched a remodelled BMW 5 series in Japan with a new BMW 525i and 528i going on sale on June 1. The company has set a target of 10,000 cars for 1996. The new 5 series features a side airbag as standard equipment and aluminium suspension parts.

Jaguar Japan said yesterday it hoped to boost local vehicle sales to 8,000 units a year by 1999 from about 2,500 at present. It plans to double sales outlets to 80 by 1999. Foreign Stal

UK plans Jakarta rail bid

Indonesian transport minister Haryanto Dhanutirto yesterday said the UK planned to bid for a high-speed train link between Jakarta and Surabaya in East Java. He said the UK has proposed a 200kph train, coaches and provision of a soft loan for the project. Mr Haryanto said the bid has the backing of visiting UK transport secretary Sir George Young AFX Asia, Jakarta

Japan Air System and Air Nippon of Japan plan to ask the Japanese transport ministry that their bids for Japan-US air routes be put on the agenda for the next round of aviation talks with the US, Japan Air System is likely to seek approval for routes linking Tokyo to Honolulu and the US West coast, as well as between Osaka and Honolulu. Air Nippon wants to begin services to Guam, Saipan and Honolulu from Japan's AFX Asia, Tokyo

Fall in American chip sales fuels uncertainty

By Louise Kehoe in San Francisco

The US semiconductor industry's "book to bill ratio", a closely watched indicator of market trends, dropped to a record low in March, signalling an industry-wide slowdown. Chip sales during March in

North and South America were \$4.16bn, down about 3 per cent from February sales of \$4.29bn, according to data released by the Semiconductor industry Association. New orders booked during March dropped sharply to \$3.33hn, down

12.5 per cent from February, The book-to-bill ratio, a measure of the value of chips sold against new orders - fell to 0.80 from a revised February figure of 0.89. A ratio below 1.00 normally means demand for semiconductors is slowing. indicator should have been

average and chip sales were strong in December, boosting the February figure. "Worldwide, the market out-

The decline in the industry expected, an industry official said, because the ratio is calcu-

vents Airbus from competing

effectively because it cannot

lated as a three-month rolling

still very bright," said Mr Doug Andrey, SIA director of information systems and finance. Financial analysts, however, had been projecting a ratio of about 0.90, roughly flat with February. The decline is likely to fuel uncertainties about the

industry outlook.

Several factors appear to be contributing to the industry slowdown. Personal computer manufacturers have a backlog of chip stocks after slowerthan-expected sales last Christmas. Although PC sales were up more than 20 per cent in the look for the chip industry is fourth quarter of 1995 against

He added that Airbus would

the same period a year before, some analysts had predicted growth of more than 30 per

in addition, prices for memory chips have declined sbarply over the past three months, in some cases by as much as 60 per cent, as production outpaces demand. However, most industry analysts expect the US chip Industry to rebound by the end of

this year as computer manufacturers use up their excess Another good sign for chip average prices of some memory chips over the past few weeks. Overall, semiconductor market growth for the year is now expected to moderate to about 15-20 per cent, down from close to 40 per cent last year but in line with the industry's long-term growth rate. Last month, following the

second consecutive monthly fall in the bcok-to-bill ratio, Texas Instruments, one of the largest US semiconductor manufacturers, said it had cut its estimate for 1996 industry sales growth to about 20 per cent, makers is a slight rise in the from 40 per ceot last year



NEWS: INTERNATIONAL

Sudan casts around for friends

By James Whittington in Cairo

The Sudanese government Is desperately trying to forge a series of unlikely alliances with opposition groups as h becomes increasingly likely that the United Nations Security Council will impose some form of sanctions on the country for its alleged support of international terrorism.

Yesterday, the Islamist mililary regime in Khartouni said n had signed peace agreements with a number of rebel groups to end the civil war in southern Sudan. Significantly, however, the

Sudan People's Liberation Army, which has led the 13year war against central government in Khartoum, was not a party to the agreements. Last week, Sudanese Prestdent Omar Hassan al-Bashir

tried unsuccessfully to woo another implacable detractor. Mr Sadeq al-Mahdi, bead of the Umma opposition party who was prime minister of the government Lt Gen Bashir overthrew m 1989. The Security Council is hold-

ing informal consultations on a draft resolution for mainly diplomatic sanctions on Sudan. This comes as punishment for Khartoum's failure to haod over three Islamist militants who are wanted by Ethiopia in connection with the assassination attempt on Egyptian Presi dent Hosni Mubarak in Addis Ahaba last June. The draft calls for a reduc-

tion of diplomatic missions in khartoum, restrictions on members of the Sudanese government travelling abroad, and the banning of international and regional conferences in the

in the face of harsher measures, such as an economic. arms and air embargo which Ethiopia and the US have been pushing for, the regime in Khartoum has won the reluctant support of Egypt which is against any action which would change the military balance between the north and

Clouds over Nigeria's port reforms

Businessmen view anti-corruption move with scepticism, writes Paul Adams

sk businessmen In Nigeria what makes it such a difficult place and near the top of their list of grievances would be the corrupt bureaucracy at the ports.
One might therefore bave thought that a government purge of customs and a programme to clean up the ports would have been welcomed. But importers, exporters and manufacturers fear that the new measures will increase rather than cut red tape and that corruption will remain in different guises. Under the scheme.

aunounced by Mr Anthony Ani, finance minister, in February and introduced at the beginning of this month, the collection of import duty is being transferred from the customs service to designated firms of accountants and banks. The government hopes this will root out corruption. end duty exemptions and boost state revenue. There is also a new set of

import and export procedures including, to the surprise of many, pre-slupment inspection for exports and for imports of accompanied personal effects. nonsense but we are hoping this will be a first step," says an international shipping

expert in Lagos.
Few doubt this need for action in Nigeria's ports, which are among the busiest in Africa. Up to 30 government agencies, ranging from various types of police and military task forces to drugs squads and quarantine inspectors, them to re-apply. Some of their

. 1

operate in them. Rival services compete for power amid poor transport and communications. shortages of power, water and fuel. delays, arrests, brihery, fraud and outright theft. On top of all that, say international shipping lines, the Nigerian ports authority charges among the highest tariffs in the world.

Mr Ani says that although customs, the main target of the reforms, is the second largest source of state revenue after oil, it should be hringing in twice what it is. Some customs posts are so lucrative that officers pay for the privilege. When the fmance minister

announced his compaign, he revoked the licences of all cus-

chief executives were arrested and some officers charged with fraud. About 6,000 containers, which were landed in Nigeria between November and January without duty being paid on them, were impounded, which jammed up the port. They are only now being cleared.

Activity at the Lagos ports ground almost to a halt before the new guidelines were announced. Trude along the west African coast was already suffering from the closure of the land border with Benin last month for "reasons of security", just before local governent elections. When they were published

earlier this month, the guidelines did little to dispel the confusion. They include provisions that seem unworkable

and are likely to be scrapped, such as the need for pre-shipment inspection even for accompanied personal effects, or unnecessary and potentially damaging, such as the rule that exports he inspected before shipment by two previ-ously unknown agencies which would exact a charge of 1.15

per ceot of the goods value.
In the case of oil exports the government will he taxing itself, since it owns 58 per cent of the oil producing joint ventures. The revenue to be gained from non-oil exports would be relatively small and the measure is contrary to the government's policy of diversi-fying from oil as a source of nearly all Nigeria's foreign believe that the export charge and the additional red tape could put an end to some marginal exports and depress the leading non-oil export businesses, cocoa and rubber. "The government's attempt

to clear up the mess at the ports is overdue, but I don't think they are going the right way about it," says the head of a manufacturing company.

"There seems to be almost no planning of the changes and I wonder how these accountants are going to cope at the ports." One leading accountancy firm which found itself on the government's list of new cus-

toms inspectors says that it does not want this type of busi-ness. Mr Ani has had to remove from the list the Nigerian affiliate of KPMG Peat Marwick, of which he used to be aenior partner, after some pointed criticism of its connection with the finance minister. The new import guidelines prompted one of the main conrier companies, UPS, to take the precaution of stopping

even documents coming in on April L While the new system was to take effect from April 1, companies are waiting while com-mittees are formed by officials toms and the four interna-tional pre-shipment inspection agencies at both of the Lagos seaports, the eastern seaports, Lagos airport and Kano airport to work out the new customs

system. . But even with a new system they face an old problem - the strength of vested interests in smuggling in Nigeria.

Iran and Turkey in tit-for-tat expulsions in March, istanbul police authorities had detained four

Turkey and Iran vesterday ordered tit-for-tat expulsions of diplomats from their capitals. further straining already tense relations between the two countries.

Mr Omer Akbel. Turkey's foreign mioistry spokesman, said the government had asked Iran to withdraw four Iranian diplomats stationed in Ankara who were implicated in a series of attacks in 1990 against exiles and prominent Turkisb

arrested Mr Irian Cagirici, an Islamic militant, suspected of murdering at least three Turkisb writers and an exiled Ira-nian dissident. The Islamic Action Organisation, which is believed to have close links to Iran and which be helped found, is also suspected of killing three other secularists and kidnapping an Iranian exile. Mr Cagirici told police that diplomats at the Iranian embassy

and consulate in Istanbul had

Mr Akbel said Iranian

provided arms and support.

Turkish diplomats in western Iran immediately after Turkey's request on Tuesday. Yesterday, Tehran ordered

the diplomats to leave, accusing them of spying. An Iranian official told irna, the government news agency: "They were trying to form clandestine groups in an effort to carry out unlawful operations and acts of sabotage against the sover-eignty of the Islamic Republic of Iran."

Ties between Islamic Iran

improved in recent years after both sides agreed to act against groups opposed to each government from operating in the other country. Mr Akbel said that an official visit by Mr Ali Akbar Velayati, Iran's foreign minister, is still expected at the end of this mooth

However, relations began souring in February after Turkey accused Iran of shipping arms to Kurdish guerrillas based in Syria. Turkey has complained repeatedly that and secular Turkey had ers party (PKK) are operating co-operation agreement.

from camps in remote areas of western Iran. Iran later protested against Ankara's decision to allow

demonstrations by the Mujahideen Khalq opposition group. Two members of the National Council of Resistance of Iran, linked to the Mujahideen Khalq were later killed in Istanhul Last week Iranian officials angrily criticised Turkey's announcement that it would allow Israeli air force jets to use Turkish bases for fighters of the Kurdistan Work- training under a naw military

INTERNATIONAL NEWS DIGEST

Arab markets 'lack faith'

Arab countries need to overhaul investment regulations to boost confidence in their markets and lure foreign investment. economists and bankers said yesterday. "It is no secret that wealthy Arabs place only a fraction of their money in their wealthy Arabs place only a fraction of their money in their own backyards," Sheikh Mohammed Salim hin Mahfouz, chairman and chief executive of the Saudi Arabia based National Commercial Bank told the Gulf Economic Forum. "There is a lack of credibility... little faith that laws and regulation regimes will be applied consistently and fairly." Foreign banks hold about \$670bn of assets of Arab origin, and Soudi Commercial Minister Commercial Verfeathers. said Sandi Commerce Minister Osama bin Jaafar hin Ibrahim Faqih. Oil-rich Gulf states have pumped about \$600bn abroad, according to Mr Paul Papadopoulos, Arab Banking Corporation's first vice president. Speakers at the two-day forum, which ended yesterday in Manama, Bahrain, heard officials from the Palestinian self-rule areas and Bosnia plead for investment by emphasising they were entering new stages

Civilians dodge Liberia bullets

A fragile truce held in the Liberian capital, Monrovia, yesterday as hundreds of fugitive civilians defied sporadic shooting and prowling militia fighters to try to reach home. The US pressed on with its round-the-clock helicopter airlift of Americans and other foreigners to neighbouring Sierra Leone, where 75 evacuees arrived overnight. Civilians in the city centre barracks where fugitive warlord Roosevelt Johnson was holed up with fighters of his Krahn tribe said they were free to leave but airaid to venture out. They said about 30 West African peacekeepers held hostage had been freed hut 36 Lebanese civilians had not. Under Tuesday night'a ceasefire agreement, which brought some respite after four days of fighting, Johnson agreed to release several hundred civilians and a number of peacekeepers held hostage by his forces.

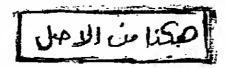
Witnesses said bundreds of the 15,000 people sheltering in a US embassy annexe left, dodging fighters and saying that if they had to die they preferred to dia at home. Intensive negotiations took place among West African peacekeepers, faction leaders and members of the ruling council of state to build on the ceasefire agreement.

Superhighway heads south Ministers from 40 countries including the Group of Seven big

industrial nations will meet in Midrand, South Africa, next month to discuss ways to ensure that the benefits of the information revolution are extended to the world's poorer

Officials from both Industrialised and developing countries are to meet in Brussels tomorrow to plan the conference. It follows the G7 conference on the global information infrastructure held in Brussels last year where a principal concern was the need to ensure that the growth of information technology does not widen the gap between rich and poor

The Midrand meeting is expected to explore issues such as the development of information highways in developing countries able to help in areas such as medical care and education. Advanced networking technology makes it possible, for example, to carry out remote diagnosis and treatment of some medical conditions. It is expected that the national delegations will be headed by telecommunications or other relevant ministers. Mr Jacques Santer, European Commiss president, Telecommunications Commissioner Martin Bangemann and Research Commissioner Edith Cresson are expected to attend. Alan Cane and Reules



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*Tension over | Japan's surplus falls 38.8% HK handover sparks talks

By John Ridding in Hong Kong and John Kampfner in London

Mrs Anson Chan, Hong Kong's chief secretary, is to meet China's top official responsible for Hong Kong next week to address areas of increasing tension concerning the territory's handover to China next year.

The planned meeting with Mr Lu Ping, bead of the Hong-Kong and Macao affairs office, comes amid serious atrains between Britain and China Concerns about the transition were at the centre of a meeting in London yesterday between Mr Chris Patten, the Hong Kong governor, and Mr John Major, UK prime minister.

Mr Patten and the British government have fiercely criticlsed China's decision to replace Hong Kong's legiala-ture, elected last year. After an hour of talks with Mr Major in Downing Street, Mr Patten made clear be would continue to oppose such a move.

"We will do nothing which will undermine the credibility or legitimacy of the legislative council," Mr Patten said. "That was our position, is our posttion and will remain our position. Full stop. End of argu-

"Whatever the preparatory committee does or says about the legislative council, nothing can stop the momentum behind the development of democratic institutions in

Hong Kong." Mrs Chan's talks are expected to cover the need to maintain morale in Hong Kong'a 180,000-strong civil service where confidence has been shaken by China's demand that senior civil servants seeking to continue in office after the handover should support a provisional legislature which will replace the existing body.

Mrs Chan, backed by many in Hong Kong for high office after the handover, bas opposed establishment of a provisional legislature, raising n doubts about whether she will retain a senior position.

Her meeting with Mr Ln Ping and Mr Zhou Nan, direc- Asia's success, Page 8

the Xinhua news agency, China's de facto embassy in the territory, has raised bopes the

Diplomats in Hong Kong con-

for a short ceremony in Hong Kong on June 30, 1997, with the main celebrations taking place the following day. Britain is seeking a grander event to mark its departure. This is a Very emotional issue " one Hong Kong-based diplomat

was still confident of the Beijing government's stated intention to conduct a "solemn, grand and decent" ceremony. Mr Lu's visit to Hong Kong is prompted by consultative sessions of the preparatory committee, the Beijing-appointed body which will oversee the handover. The sessions will assess proposals for formation of a 400-member set up the provisional legislature and nominate the future chief executive, the first governor of post-colonial Hong

committee does or says about the legislative council, nothing can stop the momentum behind the development of democratic institutions in Hong Kong." Mr Patten said. He added: "I'm sure that the

dispute can be eased.

tinued to express concerns about the prospects for a smooth transition. They warned the stalemate over the provisional legislature would continue to affect ties between Britain and China and this would obstruct progress on other issues, such as the hand-

over ceremony. Chinese officials are pushing

In London, Mr Patten said he did not believe the details of the handover were "worth haggling over", but said be growth and import access, Mr Ian Lang, UK trade and indus-

"Whatever the preparatory

rest of the world is going to look with very considerable concern about the way China handles Hong Kong after 1997 and will regard it in some measure as a litmus test about how China is going to behave on the international stage."

By William Dawkins in Tokyo

Japan's current account surplus fell 38.8 per cent in February, compared with a year earlier — a slightly smaller drop than the market had expected but seen by economists in Tokyo as enough to ensure continued weakness of the yen.

The decline in the surplus to Y745.9bm (\$6.88bn), announced by the finance ministry, means Japan is now likely to report a smaller current account gap in the fiscal year to March for the third year running. It brings the surplus for the

first 11 months of the fiscal year to Y8.202hn, down a quarter on the same period of the previous year. In response to this, and the recading chance of a US interest rate cut, the dollar hit a 26-month high of Y108.5 in Tokyo yesterday. On the financial account, there was a Y1,349bn net capital inflow to Japan in February, the second month running

in which money flooded in,

By William Dawkins in Tokyo

Japan has made progress in

trimming regulations that

were bampering economic

try secretary, said yesterday.

But he urged faster progress in

Mr Lang, leading 100 British businessmen on the UK's big-

some specific sectors.

Japan's ruling coalition and opposition last night cleared the Y685bn (\$6.3bn) budget the way for parliament to adopt this year's national budget by reaching a compromise on an unpopular scheme to use public money to liquidate hankrupt bousing loan compa-

The state of the Control of the Cont

Mr Wataru Knbo, finance minister, said an agreement reached at a meeting between Prime Minister Ryutaro Hashimoto and Mr Ichiro Ozawa, leader of the opposition New Frontier party, bad been accepted by coalition leaders.

There will be some revi-

nies, writes Our Tokyo Staff.

sions, but the main part of the budget will not be affected," as foreign investors rushed to buy Japanese equities. The Nikkei 225 index yesterday responded to foreigners' interest by closing at a 50month high of 21,791.70, though

ment in Japan in February.

gest trade mission to Japan,

reminded his bosts it was important for Japan's trade

partners, as well as Japan, to

see that economic bberalisa-

tion was comprehensive.
"We see deregulation as a

continuing process, but one

which has to be pursued with

urgency if progress is to be

the rise for the day was small, at just 47.53 points. There was Y813bn of net equity invest-

UK praises lowering of trade barriers

the Y685bn (\$6.3bn) budget allocation for liquidating the jusen bousing loan companies.

The NFP had sought to remove the jusen plan from the national budget and forced the government to issue an interim budget. Last night's agreement appeared to involve delaying making funds available for the jusen bailont until aspects of a package, including reform of financial supervi-

Parliament may pass the budget today but it remains unclear when the Y685bn for the jusen will be approved.

The balance of payments result will belp President Bill Clinton and Prime Minister Ryutaro Hashimoto give US-Ja-pan trade matters a low profile at their summit in Tokyo next week, when both want to concentrate on regional security.

The main feature in the smaller surplus is the Japanese

the way both government and business think," he said.

Speaking at a seminar on

deregulation organised by the

Keidanren economic federa-

tion, Mr Lang welcomed last

month's Japanese government

deregulation package, but

said difficulties remained in

testing for compliance with

Japanese industrial standards,

to suck in imports when export growth to the US and Europe is slowing. This is partly because of structural economic change in favour of imports and

Japan's own recovery.
According to the latest estimate by Mr Jean-Claude Paye. secretary-general of the Organisation for Economic Co-operation and Development, who is visiting the country. Japanese economic growth will reach 2.5-3 per cent by the end of this calendar year, up to one per-centage point ahead of the OECD average.

Japan's surplus in goods and services, excluding financial transfers, fell 55.7 per cent to Y390bn in February, the 15tb monthly decline and smallest trade gap in five years. Exports rose 16.6 per cent. while imports were up 46 per cent. completing a 19-month run of rises. Within this, Japan's services account deficit rose 22.4 per cent, chiefly due to growth in foreign travel.

plaints by British exporters.

While official deregulation is

slow. Britain has been among

the greatest beneficiaries from

a surge in imports, a delayed

consequence of the yen's for-mer strength as well as the

advance of competitive market

forces, as underlined by a

sharp decline in the Japanese

current account surplus.

appointment of the chairperson of Atsic to revert to ministerial selection. Under previous legislation, the

Minister John Howard said.

ASIA-PACIFIC NEWS DIGEST

Australia checks

Aborigine funds

special auditor to look into the financial affairs of indigenous

organisations receiving funds from the Aboriginal and Torres

number of state-based Aboriginal legal services, and concerns of alleged financial mismanagement in other Aboriginal

groups. Atsic handles a budget of A\$1bn (US\$780m) a year.

"If the special auditor is satisfied an organisation is not

acting in a fit and proper manner in terms of its spending of

organisation unless exceptional circumstances arise." Prime

The government planned to amend the Assic Act, to allow an administrator to run a group if it was deemed unvolved in

alleged mismanagement of public money, or if Alsic failed to

public monies, a directive will prevent Atsic funding that

Yesterday's announcement follows alleged irregularities at a

Australia's new conservative government is to appoint a

Strait Islander Commission (Atsic), the Aboriginal

comply with government directives.

Mr Howard confirmed legislative changes would be made for appointment was to have become a malter of internal election. The moves are likely to be controversial. Aboriginal leaders are concerned their right to self-determination should not be

Anxiety had been growing in Australia's white community that, despite the sums directed toward indigenous peoples. health and housing standards remain below the national

Last night, Ms Lois O'Donoghue, the present Atsic chair and much respected for her role in negotiating the lustoric Native Title legislation which was passed in late 1993, said the Aisic board would discuss the proposed changes next week. "The board may wish to make a public statement after those discussions," she sald. Nikki Tair, Sydney

Green light for Japan sports car

Mitsuoka Motor has received approval from the Japanese Transport Ministry for its new small sports car, company officials said yesterday. The vehicle, equipped with a 1600 cc engine made by Mazda, had cleared safety, noise, emission and other requirements set by the ministry; officials said the approval allowed Mitsuoka Motor to produce the car on a

Mr Susumu Mitsuoka, president of the company, which is based in Toyama, westero Japan, said his dream had come true. Mitsuoka Motor plans to increase production of the vehicle to 20 units a month from the present six, the officials

and,
The ministry rarely approves cars developed by companies
that than the main car manufacturers.

Kyodo, Tokyo other than the main car manufacturers

Yeltsin to visit China for talks

Russia's President Boris Yeltsin is to pay a three-day official visit to China from April 24 for talks with Chinese leaders. He will meet China's President Jiang Zemin and other leaders and sign 10 bilateral agreements, officials in Moscow said.

On April 26, Mr Yeltsin will travel to Shanghai, where he is to sign an agreement on confidence-building measures along the Chinese border with the presidents of the former Soviet republics of Kazakhstan, Kyrgyzstan and Tajikistan, whose nations also border China.

Mr Yeltsin hopes closer ties with China will strengthen his

hand in dealing with the US and Europe, which despite Russian protests, plan to expand the Nato military alliance to eastern Europe.

China rail stations face reform axe This would be in line with stations. China's loss-making

made...It requires nothing Japanese industrial standards, less than a culture change in the subject of regular com-

By Tony Walker in Beijing

China will close a third of its 5.000-or-so passenger train stations in an effort to make its overstretched rail system more efficient and market-oriented. The Xinhua news agency

reported that in addition to closing the 1,566 stations, a similar number of freight depots would be axed. Consideration was being given to hiving off specialised railways, departments such as container transpart into independent businesses responsible for their own profits and losses.

Loyalty drives Korean votes

John Burton on the regionalism likely to decide the election today

reforms of other elements of the state sector encouraged to be self-sufficient. No indication was given on foreign participation in these ventures, but China is seeking investment in its railway system through

equity participation.
A Railways Ministry conference in the port city of Dalian in north-east China was told that stations to be closed averaged few passengers a day; a large number of freight depots were also idle.

The report gave no clue as to the fate of employees in the

John Burton in Seoul.

railways are heavily overstaf-fed. Xinhua said the ministry, which plans to invest Yn330bn (\$39.8bn) over the next five years, would bring new express trains into operation and

upgrade its passenger services, it would also raise the speed on its main tracks to 140 kilometres an hour from 50km/h. China's railways, which raised fares 50 per cent last October, face rising competition from other means of transport. Indications that the ministry

intended to accelerate the process of reform will be welcomed by foreign suppliers. Siemens and GEC Alsthom are among foreign companies bidding to supply fast trains for a new Beijing-Shanghai service. A report by the East Asia

Analytical Unit in Australia's Department of Foreign Affairs and Trade says railways have been "almost untouched" by China's economic reforms. " Chinese investment in rail-

ways as a share of gross national product runs at half the level of countries such as India and Brazil. China ranks 100th in the world in rail track per bead of population.

Meet L-Bank's bodyguards. The best security team around.



As the development agency of Baden-Wörttemberg. L-Bank is backed by the state with the lions in its crest.

ention President Kim Young-sam in Taegu and the response is not likely to be favourable. "He's betrayed us," said one The parties and politicians resident of South Korea's third-

largest city. The cause of the discontent is that Taegu has been at the short end of reforms that Mr Kim has introduced since be

became president in 1993. The city once received enormous economic benefits since it was the power base for the three presidents who ruled South Korea between 1961 and 1993. Local companies such as Samsung, Daewoo and Ssangyong grew into global conglomerates under presidential patronage during that period.

But the government con-tracts and industrial projects that Taegu once got are flow-ing to other areas, including the south-east port of Pusan, which is President Kim's home

region.
"It's a matter of pride, and President Kim bas burt Taegu's pride." said Mr Kim Sukwon, who resigned as the Ssangyong chairman to stand as a candidate for the ruling New

Korea party. Prominent Taegu politicians, such as Mr Park Chun-kyu, have been pushed aside in the ruling party. Mr Park was speaker of the national assembly until be was forced to resign by Mr Kim in 1993.

Now standing as a candidate for the conservative opposition United Liberal Democrats, Mr Park is appealing to the city's sense of grievance. "Taegu was a government area for 30 years. but no longer," he said during a campaign stop in Taegu's famed berbal medicine market. The closely fought election

campaign in Taegu represents how regional interests and personnlities, rather than ideology, dominate Korean politics. Each of Korea's three main political parties has a strong

regional base: the ruling party in the south east, the ULD in central Korea, and the centreleft National Congress for New Politics in the south west. ed The outcome of the election Yoday is likely to be deter-

mined by the huge cosmopolitan Seoul region, which controls 40 per cent of the parliamentary seats, and Taegu. The government's main opposition in Seoul is the NCNP, while in Taegu region it is the ULD and independents. Some analysts predict that

the ruling party could take

South Korea goes to the polls

region: Mr Km, who has unsuccessfully stood for preside

Nam Young sain' Democratio
Liberal party, is a condessignt
grouping formed in 1990 as a result
of e marger between the then-ruling
party of President Poh Tan-woo
and two opposition leaders, Mr Kirn
Young-sam and Mr Kirn Jong-pil.
Since becoming president in 1993,
Mr Kirn Young-sam has been
engaged in an internal food with
party supporters of the former
mitteny government. This party's
base is in the south-sestem.

NONP) is a

wan Prescious Kim. The CLU-leader, who masterminded Korse's first military coup in 1981, is expeciated to stand for the presidency next year. Party supporters are concentrated in the central Chungchong region. tion that was headed by

established in 1995 by Mr Kim Jong-piration his broke from the New Korea party due to dispute with President Kim, The ULD

: conservative party

organisation that was headed by Mr Kim Dee-jung until he formed the NCNP in 1995. Drake Korea's

299 seats jut March 20 1996. 37 seats 14 seats

only a third of the 32 seats in Taegu and the surrounding North Kyongsang province against the two-thirds hald at

the 1992 general alection. Once a leader in Korea's rapid industrial development, Taegu is now suffering a record number of corporate bankruptcies and a sharp slowdown in the regional growth rate, says Mr Park.

Residents complain Samsung had been expected to build its new car factory in Taegu until it was forced to switch to Pusan to win state approval for

A gas explosion at a subway construction site that killed

more than 30 people a year ago led to local criticism that the government was lax in its

Public anger was further aroused when ex-presidents Roh Tae-woo and Chun Doohwan, who come from the Taegu region, were arrested last autumn on corruption and sedition charges. "Arresting one president may have been acceptable, but arresting two is too much. It's political revenge," said Mr Song Dok-

chin, a Taegu resident. "If I support President Kim too strongly, I lose a lot of my popularity." admits Mr Kim, the former Ssangyong chair-

man. "I have to tell my constit-

paign strategy on that of Taiwan's President Lee Tengbui, who won re-election last month in the wake of Chinese military threats. "Reports about the situation appear to be manipulated by the government for political

official in Seoul. The Korean government has indicated its military forces have been placed on heightened alert, but Mr Park Yong-ok, an assistant defence minister, yesterday admitted military readiness remained at Defcon 4, the next-tolowest level.

pents that he has made a lot of mistakes, but he is leading the country in the right direction." Political observers are hop

ing a new generation of politicians aged in their 30s and 40s who are standing in the election for the first time may be able to break the regionalism that bedevils Korean politics. "Younger politicians regard

regionalism as old-fashioned as Korea becomes integrated in the global economy," said Mr Kim Sang-woo, a Cambridgeeducated opposition candidate in Seoul. It's now a question of national interests in politics,

L-Bank's credit quality is anchored in law. Not the law of the jungle, despite our leonine links, but the law. of the Federal Republic of Germany. The force behind L-Bank's credit is the federal state of Baden-Württemberg, sole owner of L-Bank and an economic powerhouse of a state, even by German slandards. Small wonder, then, that the bank is not compa-

rable with any other bank next door. The close ties that exist between Germany's Southwestern state and its development agency also make for for effective synergies in day-to-day operations. As a symbol of these links. the lions from the state coat of arms, dating back to the medieval Staufer dynasty, also appear in the L-Bank logo. With the might - and mane! - of a

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Bondholders keen

Railway sell-off chief decides to quit early

Transport Correspondent

Mr Roger Salmon, the government official in charge of selling passenger rail franchises, said yesterday be would quit in October, two years before his five-year contract

His announcement was a further setback for rail privatisation after two years of turmoil and negative publicity. It came less than a week before publication of the pathfinder prospectus for the sell-off of Railtrack in May, and when only four of the 25 rail franchises cient organisation and a lot have been sold. Mr Salmon is understood to

have wanted in announce his plans in January, weeks after the successful sale of the first two franchises. But be is believed to have come under intense government pressure to delay his announcement until the privatisation timetable was more advanced. He said he was quitting early

because he had set up the framework for franchising. "I have basically done the things that I was employed to do. The franchising office is a very effimore of the franchises will have been sold by October.

Officials involved in privatisation said Mr Salmon's job was particularly demanding. There had been frequent disagreements with government officials and ministers over details of the sell-off, although the officials stressed that no pressure had been on Mr. Salmon to leave.

"These have been the most intensive four years I have ever spent," said Mr Salmon, who worked for Rothschild merchant bank for 17 years before taking on his present

Mr Clare Short, shadow transport secretary, said Mr Salmon had decided to resign in anticipation of a Labour victory at the next election, which would see the abolition of the office of franchising and of his joh. Labour planned to hand responsibility for managing rail franchises to the stateowned British Rail.

Mr Salmon was appointed franchising director-designate in January 1993, and confirmed in the job when legislation authorising privatisation was

The figures cover man-made

production is moving to

Companies in the chemicals

and pharmacenticals sector, ranging from Glazo Wellcome

to ICI and Courtaulds, appear

to be spending much of the

gains from extra productivity

outside Britain. Outward

investment rose from £2bn a

year to more than £3bn a year.

ment goes to the US. Inward

investment was worth £588m

in 1994, the best year since

UK production also rose

sharply over the period, with

sales increasing hy 17 per cent,

compared with 21 per cent in

France, 15 per cent in the US,

mance came from a relatively

About half of outward invest-

fibres, where the world centre

year. His contract is due to expire in November 1998.

He has been responsible for selling off the 25 train operating companies formed after the break-up of BR. The sale of the first three franchises was finalised in December, marking a turning point in the privatisation programme, which up to then had attracted only criticism. One of the sales was subsequently halted following alle-

gations of irregularities. Two other franchise have since been sold and the franchising office believes that

passed in November of that more than half will have been sold or will be under offer hy the time Mr Salmon leaves. His term of office had previ-

ously been marked by controversy. In February, allegations of ticket frand forced Mr Salmon to withdraw a franchise he had awarded to a management-employee huy-out team to run the second privatised rail line, the London, Til-bury and Southend Rail ronte.

Mr Chris Stokes, Mr Salmon's deputy and a long-term railman, is believed to be a strong contender to suc-

immigration

Siemens, the German engineering combine, has won a contract to computerise and

modernise the British govern-

ment's immigration and

nationality department. The

award is one of the most polit-

ically sensitive extensions of

the private finance initiative,

the flagship programme for promoting private investment in the public sector.

Up to 100 experts from Sie-

mens and its subcontractors

will be seconded in the depart-

ment to supervise the design,

installation and operation of a

computer-based system which

will replace the current sys-

tem of circulating files. Siemens will be paid only

from the savings its reforms

generate over the seven years

of the contract's life. It

believes these could total £150m (\$228m) including its

share and the government's.
The reform is almost certain

in bring job losses among the

department's 5,400 staff. The

Home Office said that 900

fewer posts would be required

if the workload stayed

The Home Office said the

programme offered "a mique

opportunity for the transfor-

mation of the immigration and

nationality department". But the CPSA, the government

officials' trade union, said it

opposed bringing private com-

panies, especially multination-

als, into "very sensitive areas

The department handles

applications for visa exten-

and passports. It has struggled

to keep abreast of a growing

volume of work and to cut a big backlog in paperwork.

Nevertheless, it has sometimes

been accused of long delays in

decision-making, notably in

were 69,650 at the end of

December. The department

says its work requires it to

carry out many complicated

Siemens said a computer-

based system would allow the

department's workflow to be

speeded up. Siemens' UK sub-

sidiary won the contract ahead

of EDS, the data-processing

affiliate of General Motors,

and Andersen Consulting, the

management consulting arm

main sub-contractor is Perot

Systems, the computer con-

sulting company run by

Mr Ross Perot, the US entre-

preneur and former presiden-

of Arthur Andersen. Siem

mchanged.

of work".

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Siemens

wins big

contract

By Stefan Wagstyl, Industrial Editor

data

to open lawsuits

UK NEWS DIGEST



Investors who bought bonds from the Barings merchant banking group a year before its 1995 collapse applied in the Companies Court in London for leave to sue the bank, its directors and the three brokers involved in the £100m (\$152m) bond issue. The Barings 9% per cent Perpetual Noteholders Action Group plans to start proceedings against Barings plc and Bish-opscourt Ltd, the former Baring Brothers &

Co, both of which are now in administration. The investors plan to include all Barings' directors in the suit. In addition, the suits will target Hoare Govett Corporate Finance, the UK equities arm of ABN Amro of the Netherlands; Barclays de Zoete Wedd, the investment banking arm of Barclays Bank; and Cazenove, the independent brokerage

The bondholders allege a combination of omissions and untrue or misleading statements in the listing particulars for the perpetual notes. As holders of suhordinated loan notes, the bondholders rank close to last among Barings' creditors. Last year, they attempted to sue Mr Nick Leeson, the trader whose dealing losses in Singapore led to Barings' collapse. The suit was taken over and abandoned by the Serious Fraud Office. Mrs Lisa Leeson, the wife of jailed Barings trader Mr Nick Leeson, has been appointed a flight attendant with Mr Richard Branson's Virgin Atlantic airline.

George Graham. Banking Correspondent

HK governor meets Major

Mr Chris Patten, the Hong Kong governor and former Conservative party chairman, sought last night to dispel speculation that he intended to return in Westminster politics shortly after the transfer of the colony to China next year. Speaking after talks at Downing Street with Mr John Major, the prime minister, Mr Patten said the question of a role for himself in the party had not arisen. Suggestions that a safe by-election seat might be found for Mr Patten following the handover intensified last month after a visit to Hoog Kong by the prime minister. Several Conservative rightwingers reacted furiously to the possibility that Mr Major regarded Mr Patten as a possible centrist "heir apparent". Mr Patten masterminded the Conservatives' 1992 election victory but lost his own seat in John Kampfner, Westminster the House of Commons. Personal View, Page 8

Cash for Maxwell creditors

Administrators to the collapsed business empire of Robert Maxwell yesterday announced that they are to pay a fourth dividend to creditors of 3.5 per cent on April 18 - increasing the total dividend so far paid to 34.5 per cent or £725m (\$1.1bn). Price Waterhouse, the administrators to Maxwell Communication Corporation, said their previous estimate of the final dividend was unchanged at between 38 per cent and 43 per cent. In addition creditors may benefit from outstanding legal actions being taken on their behalf. Mr Mark Homan, for Price Waterhouse, said the latest dividend had been paid after the settlement of a series of disputes with creditors. As a result the administrators had been able to release funds reserved in meet potential claims. Jim Kelly, Accountancy Correspondent

China orders save steel jobs

Cleveland Structural Engineering has announced 30 redundancies but averted the threatened loss of a further 120 jobs thanks to orders for two Chinese power stations and for fabrication work from British Steel. The north-east Eogland steel fabricator, part of Trafalgar House, expects its present workload including UK road bridge contracts to provide Job continuity for its remaining 733 employees for the rest of 1996. The company completed work on the Tsing Ma Bridge in Hong Chris Tighe, Newcastle upon Tyne Kong 15 months ago.

Truck sales 'reach plateau'

A two-year recovery in the UK's truck market has reached a ly to extend to at 1 Iveco-Ford, the market leader. Total truck sales this year are expected to be little changed from last year's 52,000, said the company in a comment on statistics from the Society of Motor

Welsonge Woltston State (%) State (%)

140000	Canto	Chambi [56]	FM '95	3-M '95
Trucks lover 3.5 hon	(co)	A conta		
Total	12,823	-28	100.0	100.0
femores	7.840		61.1	59.6
Troco group (Fiel)	3,029 melcal 2,238		28.8	19.6
Mercedes-Benz Benz			17.5	21,1 17,8
Scient Briveston	Craf	+183	13.5	. 4111
Volum:	1.512	73	11.8	124
MAN	673		5.2	5.0
ERE	545		4.3	5.7
Remote	400	- 04	-3,5	⊒3.5
Of which Reary Tree				
Total Scanie (Investor)	7,897 1,781	- 6.9 -18.3	100.0 21.9	100.0 17.4
Voleo	3.419	-5.7	18.0	17.5
Leyland DAF (DAF T	ucies[1,490	20.7	15.1	17.9
Neco group Tim		- +27.5	10.9	8.6
Marcades-Benz, Benz ERF	841	-23.7 —	10.7	13.1
MACH.	400	281	6.9	5.0
- Ficancel	331	1115	42	3.5
The second secon				
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Manufacturers and Traders. The market stagnation threatens a further increase in the intensity of a sales war which has already caused sharp changes of fortune for some of the industry's major players, this year. Leyland Daf and ERF have both come under pressure from Iveco-Ford and Scania. How-ever, both Scania and Iveco Ford have begun to feel the full benefit of investments in new models now reaching the UK market.

John Griffiths, Industrial Staff

Rover to shed dealers

Rover Group, an offshoot of BMW, is to cut its dealer numbers in Britain by up to 30 per cent as part of a restructuring expected to require heavy investment by companies wishing to stay with the franchise. The restructuring, which could result in up to 150 of the current 511 dealers leaving, is to be completed within two years. "The whole thrust of this reorganisation is in create a business in which premium-positioned cars are sold through premium outlets seeking lifetime relationships with customers," said Rover,

Rover and BMW have made clear that Rover's forthcoming cars are in be positioned ever more firmly up-market, and that a reduction in UK market share - to between 9 and 10 per cent from 13 per cent a year ago - is an inevitable part of the

By-election threat to PM

Voters from the Midlands constituency of Staffordshire South East go to the polls today in a hy-election which Conservative and Labour strategists see as the most significant test of their public support in the run-np to the general election. Victory for the opposition Labour party – which is widely expected in overturn a Conservative lead of almost 7,200 - would reduce the government's Commons majority to one. Today's by election is a test of Labour's claim that under Mr Tony Blair, the party leader, it can win votes directly from the Conservatives among relatively prosperous communities.

Richard Wolffe, Birmingham

Productivity soars in drugs and chemicals

By Daniel Green in London

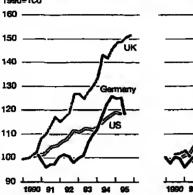
Productivity at the UK's chemicals and pharmaceuticals industries has increased at twice the pace of their main international rivals and much of the rest of UK industry during the t990s, official figures showed yesterday.

Productivity in the two UK sectors rose 51 per cent between 1990 and 1995. The productivity gains in the same industries in the US, France. Germany, Japan and Italy ranged from 9 per cent to 40 per cent.

Across the whole of UK manufacturing, productivity rose hy 20 per cent over the period. according to the Office for National Statistics in the first of an 18-part series of sector

The figures cover a period of rapid change. BP, for example, built a petrochemicals plant in Scotland and shut one in Wales. The pharmaceuticals industry no longer includes ceuticals industries was driven

Chemicals and pharmaceuticals productivity



Boots' drugs business, sold to Germany's BASF. During the period Glaxo bought Wellcome and opened a £700m (\$1.1bn) research centre.

The rise in productivity in the UK chemicals and pharma-

partly by falling employment, down from 277,600 to 237,700. Unit wage costs fell hy more than 10 per cent. Employment in these sector

Europe, although not in the US

or Japan, says the report.

13 per cent in Japan, and 4 per cent in Germany and Italy, The figures take inflation into has also fallen in the rest of

Production in UK manufacturing as a whole rose by 1.3 per cent. The UK perfor-

of Italy. Sales in France were worth Ecu 60.1bn and in Ger-many, Ecu 97.2bn, with the US and Japan even further ahead. Exports accounted for 54 per cent of sales by the chemicals and pharmaceuticals industries in the UK in 1991 and 62 per cent by 1995. The trade surplus rose from £3.3bn in 1991 to £4bn in 1995.

maceuticals sales in 1993 were worth Ecu 49.6bn, ahead only

These figures come from 4,300 enterprises, of which 600 had turnover of more than £5m a year and another 600 turnover of less than £50,000. The biggest businesses are in pharmaceuticals and petrochemi-

The south-east of England dominates the pharmaceuticals sector, while the north-west is the main location for basic chemicals production. The report divides the chemicals. pharmaceuticals and man-made fibres sectors into

Labour leader seeks to reassure **NY** financiers

tax bracket.

FT Political Staff in New York and London

Mr Tony Blair, leader of the opposition Labour party, yesterday set out to sell the modernised Labour party to New York's financial establishment. vowing that a government headed by him would make the UK a "safe bet" for investment from other countries.

Mr Blair will today pledge that British citizens on middle incomes will not be penalised party has yet to finalise its tax plans, but it is understood that Mr Blair has already ruled out income tax rises for those earning up to £40,000 (\$60,800) a

At this stage, Labour has not made a decision about whether there will be a new, higher rate of income tax. But Mr Blair has decided that those on middle incomes - by which he means people earning around 230,000 to £40,000 a year - will

Mr Blair arrived in New York yesterday for meetings with Mr George Soros and other international investors and he will meet President Bill Clinton in Washington on Fri-

In a speech tu the UK-US Chamber of Commerce, he wilt say that he values wealth creators and entrepreneurs and has no intention of imposing penal tax rates on them. Mr Blair will pour scorn on Labour leftwingers' traditional view of tax rises.

He will also say that his preference will be to reduce taxes in general and attack the government for bringing teachers.

policemen and others on mid-dle incomes into the upper rate "He wants to tell them that "new Labour" is real and that it has changed fundamentally since the last time they knew

the party in power," said a Blair aide. "We are moderate. realistic and committed to long-term macro-economic sta-Last night Mr Blair held a private meeting with US investors. The meeting was

organised hy investment bank, and Mr Blair told the 24 bankers and fund managers, including representatives from Morgan Stanley, Lazard Frères and Merrill Lynch, that UK "tax rates must be competitive internationally to belp attract international business

His main message was that he had ditched Labour's previous attachment to high levels of public spending and protectionism. passionate free trader and unashamed anti-protectionist."

At tomorrow's meeting with Mr Clinton the Labour leader is expected to explain why he has adopted a policy of backing Britain's Conservative government in his approach to the Northern Ireland peace

The twin aims of the trip are to persuade international would be safe in the UK under a Labour government and also to discuss with senior White House staff common problems facing left-of-centre parties in the UK and US.

Minister faces pressure over entry to new ERM

By Gillian Tett

Mr Kenneth Clarke, the chancellor of the exchequer, came under renewed pressure yesterday from within the governing Conservative party to rule out any UK reentry inin a new European exchange rate mech-

Mr John Redwood, a senior Eurosceptic Conservative and challenger for the party leader-ship last summer, insisted that Mr Clarke should instead "warn Europe . . . that the single currency project is des-tined to split the European

Mr Clarke is due to fly to Verona in Italy tomorrow for a meeting of European Union finance ministers, to discuss the relationship between those inside and outside any future single currency.

The meeting is likely to present Mr Clarke with a difficult battle, since the UK is now virtually isolated over how a new exchange rate mechanism would operate if a single currency proceeds, as planned, in

Most EU countries, led by France and Belgium, want countries outside a single currency linked to the single currency area through a new ERM system. Even Denmark - which, like the UK, has indicated that it will not join a single currency - has voicedits s idea. However. UK officials fiercely oppose any UK re-entry into a new

ERM. Mr John Major, UK prime

the possibility. And although Mr Clarke has not quite followed suit, he insisted there was "no case for a new ERM" in a letter to Mr Lamberto Dini, the Italian prime minister, earlier this year.

Instead, the UK is proposing that the European Union should adopt inflation targets for countries outside a single currency. Nevertheless, some officials in mainland European countries still believe that the UK will eventually soften its

One European Commission official said: "What people are negonating position warned that Mr Clarke would face pressure to resign if he

really doing now is staking out But some Conservative MPs Mr John Major, UK prime gave any signal in Verona that minister, has flatly ruled out he would yield over the issue.

Farmers may sue over BSE the treatment of people seek-ing asylum, of whom there

By Deborah Hargreaves

Farmers are considering suing animal feed companies for negligence over the outbreak of the hovine spongiform encephalopathy epidemic. BSE, or "mad cow disease," is helieved to have been caused by contaminated feed given to cattle in the early

"Farmers are looking at all possible options for redress, but there are a number of potentially important legal hurdles to overcome before they can go to court," said a legal adviser at the National Farmers' Union.

Until 1988, protein-rich cattle

sheep and cattle, some of which was contaminated with scrapie, a sheep disease similar to BSE. Scientists believe that changes in rendering processes allowed the BSE agent to pass

into feed. Farmers can try to prove negligence on the part of feed companies for providing contaminated feed or they can sue companies under contract law for selling products which had a deleterious effect on their animals. However, there are usually six-year time limits in place for cases to be

"Many farmers are making substantial losses and are looking for compensation from any source," the NFU said. cake contained meat and bone Farmers are angry that they and more rec meal made from the remains of are being blamed for poultry feed.

England dairy farmer.

something over which they had no control. "People say to me, 'why were you feeding cows to cows,' but I had no idea that was in the feed," said Mr Marshail Taylor, a west of

The feed companies maintain that they were not negligent in using meat and bone meal. "We originally thought the rendering process took place at a high enough temperature to sterilise the meal. When it was: first possible that this might not be so, we excluded it," said Mr George Paul, chief executive of BOCM Pauls, a UK animal feed company.

The government banned the use of meat and bone meal in cattle and sheep feed in 1988 and more recently for pig and

tial candidate. The UK contract includes the purchase of computer equipment, software develop

Accountancy thrives in the climate of privatisation boast that it had unrivalled managemant, regulation,

By Jim Kelly, Accountancy Correspondent

The Big Six British-based accountancy firms dream of identifying new business skills which they can sell to clients. In the very hest of these dreams, they imagine that by developing such expertise they establish a long-term advantage on their competitors.

But even in their dreams they hardly dare imagine that the skill they have discovered will not only generate a stream of revenue in itself, but will provide the ideal base from which to sell a range of other services to the same client.

One example is Coopers & Lyhrand's lead in privatisation work, particularly in the area of the privatisation of state telecommunications. This is a client service which appears to have delivered the dream in all three phases: an initial advantage, a long-term lead and a platform for diversification. The latest survey by Privati-

sation International, the indus-

try magazine, tells a remark-

League of privatisation advice by UK's Big Six' accountancy firms

Am	Assignments total 1994	Assignments total 1995	Worldwide value (Sm)			
Coopers & Lybrand	379	397	21,511			
KPMG	208	99	15.548			
Arthur Andersen	155	n/a	n/a			
Price Waterhouse	137	344	11.623			
DTTI	118	130	1,611			
Ernst & Young	-	75	9,783			
		Source: Prog	tiggiça İnternationa			

able story. More than a decade after beading up the trailblazing privatisation of British Telecommunications, Coopers & Lybrand were involved in privatisation assignments in 1995 worth \$22bn worldwide with KPMG the nearest rival on \$16bn.

Financial advisers outside the accountancy and law sectors with assignments of greater value from privatisation than Coopers' were the merchant banks SBC Warburg. Goldman Sachs, and CS First Boaton - at, respectively, \$27bn, \$23bn and \$22hn.

In 1995, Coopers took on 397 assignments in the sector compared with Price Waterhouse in second place among the accountancy firms with 344. Coopers worked in 77 countries on these projects. So did the initial advantage of the BT project help it gain a global

advantage? -We were terribly lucky - we were the incumbent auditors at BT at the time," admitted Mr Peter Benson, head of Coopers & Lybrand's International Privatisation Group. More to the point, Mr Benson was the incumbent auditor. "I ended up bere simply because I was the audit partner at BT - I was a computer auditor - the feeling was that they had to get themselves better organised. As I came in Mrs Thatcher came to power. The whole thing rolled from there."

The advantages of privatisation as a line of business were immediately apparent: "It's profitable, much better than audit work in that you are able to charge what it costs you to do. We don't take success fees - very rarely. We don't make super profits out of it, but we are able to turn an honest

As Thatcherism became associated with privatisation around the world, so Coopers & Lybrand was able in become associated with what it sees as a highly successful large-scale example of the policy in action. "It was a model," said Mr Ben-son. As a result, even competitors concede that Coopers still picks up about balf of all such projects offered around the

This process has been managed from London. The privatisation group advises Coopers'

sees privatisation as the begining of a relationship with the

Coopers was also able to

experience. "We found that we got a head start both as a country and as a husiness because of the great swathe of projects in the 1980s. We found that huilding on that expertise we could take it substantially out into the world," said Mr Ben-

parachute in expertise when required. Privatisation is, of course, destroying its own market. It is estimated that more than 10,000 enterprises have been transferred to the private sec-tor worldwide. But Mr Benson

client, not the end. Each privatisation involves two potential clients: the state and the entity Itself. We would much rather advise the enterprise than the government," said Mr Benson. The enterprises live on, requiring advice on tax, audit, systems,

employee benefits, pensions and much more. What is more, the market is a long way from being exhausted. While the front-runners like the UK, Thailand and

Mexico may present fewer opportunities, newcomers like India, Portugal, Argentina and Indonesia offer new business. There is still potential in Europe - particularly in Spain and Italy. Furthermore, privatisation is itself developing to embrace contracting out, state joint ventures, and infrastructure financing such as the UK government's Public Finance Initiative.

In spite of Coopers' history it is not alone in this market and other members of the Big Six would claim to be catching up quickly.

But there is little doubt that Coopers has successfully pre-served an initial advantage in telecommunications and nurtured skills and expertise to keep the lead in a market which provides an open door to

MIGHTY APHRODITE Woody Allen

eam

Africa office

harta evil hid

markets

MESS THROUGH

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27,000 7 Aug 11

faith'

CITY HALL Harold Becker

> BROKEN ARROW John Woo

NELLY AND MR ARNAUD Claude Sautet

first saw Woody Allen's Mighty Aphrodite at the Venice Film Festi-val, the perfect venue for this fitful cod-mythic comedy. I kept envisioning it as a modern-dress Tiepolo

Here were a scatterbrained nymph (Mira Sorvino) and a menopausal demigod (Woody Allen) chasing each across that action-packed buman firmament called New York. And a Tiepolo title would surely do justice to the sense of some cloudy but overbearing subtext? We could call it "The Battle Between Veiled Autobiography And Fiction" - Allen playing a loving foster father in search of the true parent of his three-year-old "son" - or possibly "Comedy Is Cast Out Of Heaven By Didactic Self-Portraiture."

We are offered Allen as a middle-aged sportswriter whose wife Helena Bonham Carter is too busy opening art galleries and chain-smoking to reproduce. So thay adopt a son, only for inquisitive Allen to find three years later that this gifted, school-excelling boy's biological mom is a dizzy prostitute (bubblingly played by the Oscar-winning Ms Sorvino). Appalled at this genetic affront and assailed by the girl's own mate-seeking attentions, he strives to pair her off with a dimwitted boxer. That way, at last, genes can mix like with like while our hero gets back to fostering art, genius and neurosis.

Being an Allen fan is a difficult life. No sooner are you wonderstruck by Manhattan than you are poleaxed by Stardust Memories. Just when you think he has been ground into the dust by l'affaire Mia, he soars skyward with Husbands And Wives. And having achieved cruising alti-tude with Manhattan Murder Mystery and Bullets Over Broadway, he goes into free fall again - albeit with Tiepolesque elegance - in this comedy of unclear inten-

Some scenes are passably funny, like Allen's attempt to nerve himself for a Ineeting with Sorvino's pimp. (She: "You're a coward" He: "Only in actuality"). Other gags, running or otherwise, are careworn and ill-calculated. The Greek chorus that breaks into Brooklyn-Jewish

he Sturdy Beggars company has a mounted an effective staging of that most challenging and expressionistic of Strindberg's works, A Dream Play (1901), in the charmingly glass-roofed Bridewell Theatre off Fleet Street. Light from the sky still entering at the start of the evening may be aptly taken to symbolise the descent of divine indra's Daughter from the ethereal realms. To earth she comes, as Agnes, to survey the immense panorama of human suffering, to understand what it is like to live in a world of fact rather than thought, to

Strindberg's extravagant flights of Buddhist-Christian fantasy, whose dream-logic presupposes that the world is essentially a dream and that the theatre is no less real than the world, may not appeal to all, but his main images have a peculiar fascination: the castle that seems to be growing in the distance; the ever-shut opera house door with the clover-shaped hole behind which may lie "the riddle of the world"; the officer pacing in front of that door for even years in pursuit of his singer-bride; something for m-e", we feel we have overdosed on ethno-comical incongruity.

We also wonder where this multi-strand We also wonder where this multi-strand film is tending - until the close when we have the clinching coda of the actor/author retiring into his own self-image as a perfect father. We see Woody, in an extended scene, shopping for toys. We see Woody reading fairy stories aloud as he sits in a loving three-way huddle with boy and wife Parhams the whole movie was and wife. Perhaps the whole movie was conceived as a response to the judge who rapped his knuckles for his inadequacy as a father? Perhaps we have been gathered for this buffet of jokes and plot whimses so that we can hear the host's after-dimer speech in praise of his own caring, sharing

City Hall gives us a New York of a different colour. Not so much Tiepolo, more Edward Hopper after eating a can of jump-ing beans. Al Pacino plays the Mayor, determined to huff and puff around the city eliminating corruption, even as a little black boy's death in police-Mafia crossfire threatens to cross a can of a different kind threatens to open a can of a different kind - Worms.

Why was the convicted Mafia drug dealer out the streets at all? Might a word like bribery, or "bwiberwy" in that hyp-notic patois we call Pacino-speak, be pertinent? Did money pass from the Mob to the judiciary?

So many questions. And instead of sitting down to answer them under exam conditions, the film runs all over New York and New Jersey proving surprisingly enjoyable, despite the chaos of a five-man screenplay. Since most of tha cast are on parole from Woody Allen movies - John Cusack as the Deputy Mayor and chief legworker, Judge Martin Landau, Democratic leader Danny Aiello - they know how to crack out lines. And since Pacino himself has now ascended to a higher Parnassus of acting, his every bark, shrug and line-reading is pure delight.

s an airforce pilot who steals two nuclear missiles during a test flight with intent to hold America to ransom, John Travolta in Broken Arrow has some serious questions to answer,

First, where did he get that haircut? Bristling and changing colour in bright sunlight, it does almost as much acting as its owner and rather more than co-star Christian Slater. Secondly, when did Travolta and flying buddy Slater, who after being ejected from the bomber survives to stalk the desert as his friend's nemesis, receive their Teflon skin grafts?

For all the fights, falls and explosions these two endure - and with ex-Hong Kong action prodigy John Woo in charge there are many - neither displays more than a cut lip and look of mild discompoor thrice. But when they trip across Taor—sure. This puts the burden of emotion on mina's teatro antico for the umpteenth—the audience, who at the press show time, to the Broadway strains of "Y-o-u d-o tended to process terror into hilarity.



ARTS

Into free fall with Tiepolesque elegence: Helena Bonham Carter and Woody Allen in 'Mighty Aphrodite'

The most incredulous laughter accompanied the film's far-fetched final showdown and the appearance and antics passion of Samantha Mathis as a sexpot desert ranger. Meanwhile the most admiring guffaw was reserved for Travolta's steelytimed rebuke to a trigger-happy henchman during a jeep chase: "Would you mind not firing at the thermonuclear weapons?" But then Travolta's timing and seriocomic clan-

are a joy throughout.

Broken Arrow takes implausibility and flies fast and high, careless of eluding radar. If it displayed any more ludic self-disbellef, it would be the very model of postmodernism. As it is, adding virtuoso effects and set-pieces to the hints of Armageddon seriousness, it is that even more delectable thing: an action film that will satisfy both gullible fans and scapegrace

seismic patterns in Paris apartments. When hard-up Nelly (Emmanuelle Beart) accepts a gift of money from a man she barely knows - the wealthy, elderly Monsieur Arnaud (Michel Serrault) - she feels bound to accept his further offer of a job typing out his new book of travel mem-

As well as wages, Arnaud will offer wis-dom, talk and tea. He will gaze over Nelly's shoulder, encouraging her to rewrite and edit. And he will peer a little more closely into her heart as she begins to transfer her love life from a lazy live-in boyfriend to Arnaud's young publisher (Jean-Hugues Anglade).

Less happens here even than in Sautet's recent A Heart In Winter, where love and misunderstanding grew slow as an icicle. Here, in a movie warmer if not faster, absence of drama becomes its own drama.

young girl and old man share. And if Béart plays her Columbine a touch too passively Serrault - best known hitherto as chief scenery-chewer in La Cage Aux Folles - is a richly subtle Pantaloon. Arnaud's entire life is sketched out in tiny shrugs, mones, sighs and wistful sarcasms: a one-time globetrotter whose world has shrunk to a last unrequited love in a last unhurried old age.

To realise how good this French film is, you need only see what an American does with same minimal plot tools. In Michael Tolkin's *The New Age* (18, National Film Theatre) Judy Davis and Peter Weller fall in and out of love as a pair of bickering Beautiful People in Beverly Hills. But Tolkin, who wrote The Player, puts almost no ironic or insightful distance between himself and his navel-gazers. The film ends up seeming less a looking-glass held Claude Sautet's Nelly And Mr Arnaud.

Motes of mystery dance about in the standard than a hall of mirrors, made a mere ocean away, could be set on another planet. Small lives describe tiny each other's lives and minds that the self-love in urban California.

'Nabucco he latest building-block towards the Royal Opera's ambitious complete Verdi cycle is Nobucco.

Opera.

A borrowed

which arrived on Tuesday and will take its place in this year's Verdi festival in the summer. Like some of the other new productions planned for the cycle, it is borrowed, in this case from Welsh National Opera, where it raised hackles last September.
As yet it is early days, but the

commitment to the operas from Verdi's "galley years" is looking ominously half-hearted. I due Foscari last year, borrowed from Ludwigshafen, was a stilted affair. Il Corsoro, due to be borrowed from Turin, has been replaced by a couple of concert performances. This Nature is a long way from being the strong argument in support of the opera that the Verdi festival should be standing up to make.

Have no doubt that there is a case worthy of arguing, Verdi's third opera may have its fair share of bouncy cabalettas and brass band marches, but as the final scene leads from the unaccompanied chorus "Immenso Jeovha" into Abigalile's intensely compressed death scene, it is clear Verdi has his sights on raising the old forms to a more exalted level. Perhaps the producer, Tim Albery, felt be was doing the same when he set the scene in a Nazi concentration camp, but it is all too easy to cheapen both by the association.

It probably will not console those wbo booed the production team to know that the worst excesses of the staging had been ettisoned on the way up from Cardiff. Despite leaving bebind Nabucco's Diana Dors outfit and Abigaille's army fatigues, it still looks as though Albery and his lesigner Antony McDonald bave raided the avant-garde producers' second-hand wardrobe (the men of the coorus find themselves stripping down from Kln Klux Klan to tasteful lime-green evening

dresses and long black gloves). The theme of the production remains the suffering of the Jewish people through into our own century (cue Palestinian terrorists and Nazi guards) though it has now been streamlined much to its benefit. The sets are gloomy and starkly modernist, and sometimes unhelpful acoustically by keeping the singers too far back. But there was little justification for losing the intended conductor, Edward Downes, who backed out after announcing that be found the production unsympathetic, and the Royal Opera bas done well with his replacement, Wladimir Jurowski.

Nabneco and Abigaille are played as pistol-wielding Babylonians, whose ammunition is an unceasing supply of decibels. Alexandru Agache's baritone has grown simply buge. There are enormous reserves of power residing in these lungs and it is a shame they cannot be harnessed to form long vocal lines in which the quality remains consistent. The result is that isolated phrases shake the foundations, but his main solos fall short of expectation.

It is unlucky for Nina Rantio that Abigaille's big moments come in the first half. Her thick, beavy, Russian soprano takes time to wind up its mechanism and in her main aria she was still in the process of getting the voice to move about and stretch up to the top notes (each high C came closer to its target, hut none actually hit it). Her fearsomely powerful soprano is what we have come to expect in this role, though Verdi surely wrote for

Leah-Marian Jones as Fenena complemented her with a bright, clear nezzo; Dennis O'Neill made a suitably Italianate Ismaele. But it was Samuel Ramey as Zaccaria who brought distinction to the evening by ignoring all that was going on around him and concentrating on the core virtues of Italian bel canto style – an elegan(line, even a few decorations, vocal qualities that would bave been recognised in the 1840s. An "authentic" Nobucco would still be en eye-opener.

singing with more grace and agility.

Richard Fairman

Strindberg dramas

Dream-logic and a power-struggle

the officer's mexpocable return to school to be re-taught his multiplication tables.

They are more often mundane, comic and, indeed, autobiographically-founded images than mystical ones, and no matter how far-fetched the dramatic thinking, Strindberg cannily eludes pretentiousness. Jonas Finlay's production, using his

own translation, gives us two acts of respectively eight and six continuous scenes and comes across as admirably concise. The simple set - a candle bearing tree, a huge tilted wooden drawer, a semitransparent screen - serves perfectly, and adroit use is made of trapdoors and of sound-effects. Small-scale though the staging is, one does not feel that Strindberg's elaborate conception is being scamped. There are a couple of theatrical coups

(the lurid assembly line of torture, tha naked Poet in an actual mnd-bath), and in any case the cast is rather large, a dozen. rects the wordless episodes, and under-di-Notable among them is John Baxter's capering, Cleese-like Officer: Michael Woodwood's cadaverous Advocate, Luke Shaw's Strindberg-lookalike Poet, and Alexandra Mathie's warmly sympathetic

Paul Driver

he Young Vic's new staging of Strindberg's Miss Julie is a disappointment. Because the director is Polly Teale - who has a good record for dramatically vigorous stagings of period works - it was easy to hope for more. There is an excellent set by Robert Innes Hopkins, a fresh translation by Meredith Oakes, and a first-rate performance by Cara Kelly as the maid Christine. But these do not suffice. Teale over-di-

rects the spoken passages. The productions's Big Moment occurs when Miss Julie and her father's valet, Jean, have some prettily stylised sex on the kitchen table. It is possible that, by putting onstage what Strindberg left ont, that Teale unbalances the power-struggle that goes on between upper-class Miss J. and working-class J. But it is definite that this sex is too stylised to convince.

Particularly over-artful in its supposed artlessness is the way that Susan Lynch, as Miss Julie lying on her back on the table and yielding to sexual excitement, sweeps a vase of red flowers over with her arm. And why pay such attention to the big physical scenes unless you get the littla ones right? Lynch's upper-body posture is so poor that nobody could believe her as an upper-class girl of the last cen-

tury. Her face is often stiff. ill at ease. meanwhile the words - the level on Meanwhile the words - the level on which Strindberg's real conflict takes

place - between Julie and Jean are underinflected. As Jean, John Hannah is at his best whenever Julie is away; he has edge, nuance, wry bumour. Oakes's translation works fluently without drawing attention to itself; Hopkins's set gives us a believ-able kitchen interior and, centrally placed the crucial large flight of stairs to the realms above where Miss Julie has her bome and where her acquaintances are dancing. Kelly's Christine is wonderful to watch just when she is carrying a plate across the stage; or stands and listens to Jean. Her acting has none of the calculated "expressiveness" to be found elsewhere in the staging, but it is simply full of life, a life lived beneath stairs, a common-sense practical life with no especial ambition, an ordinary life whose simple decency transcends the sexual politics played out by Jean and Miss Julie.

Alastair Macaulay Further performances until April 27.

INTERNATIONAL

ADELAIDE

EXHIBITION Art Gallery of South Australia Tel: 61-8-2077000 1996 Adelaide Biennial of Australian Art fourth edition of this biennial exhibition aurveying Australian contemporary art. The Bienniel features the work of 20 artists; to Apr 14

BERLIN CONCERT

Philharmonie & Kammermusiksaal Tel: 49-30-2614383 Das Sinfonie Orchester Berlin: with conductor Frank Morgenstern and planist Selko Ezawa perform the ogłonaise of Tchaikovsky's Eugene negin, his Piano Concerto No.1 in B minor and Symphony No.4 in F minor, 8pm; Apr 12

■ BIRMINGHAM

CONCERT Symphony Hall Tet: 44-121-2123333 The National Youth Orchestra of Great Britain: with conductor János Fürst and planist Leon McCawley perform works by Mozart and Bruckner: 8om: Apr 13

■ CHICAGO **OPERA**

Shubert Theate Tel; 1-312-977-1700 The Cave: multi-media opera by composer Steve Reich and video artist Beryl Korot exploring the biblical story of Abraham from the points of view of three different cultures: Israeli Jews, Palestinian Moslems and Americans; 8pm; Apr

■ COPENHAGEN

EXHIBITION Charlottenborg Exhibition Hall Tel: 45-33 13 40 22: Danish Spring Art Exhibition; exhibition of works by 116 contemporary artists. The display includes paintings, sculpture, graphic works, photography and architecture; to Apr 14

■ DETROIT.

JAZZ & BLUES Detroit Orchestra Hall Tel: 1-313-833-3362 Detroit Symphony Orchestra: with conductor/vocalist Bobby McFerrin and trumpeter Arturo Sandoval perform jazz music; 8pm; Apr 12, 13

FRANKFURT EXHIBITION

Jahrhunderthalle Hoechst Tel: 49-69-3601240 UMBO - Vom Bauhaus zum Bildjournalismus: retrospective exhibition devoted to the work of photographer Otto Umbehr, also known as Umbo. The display includes some 100 works from all stages of his career to Apr 13

■ GOTHENBURG CONCERT

Göteborgs Konserthus Tel: 48-31-7787800 Malinö Symfoniorkester: with conductor Paavo Jarvi perionn . Schubert's Symphony No.3 and Bruckner's Symphony No.S; 3pm;

■ HELSINKI DANCE

Opera House Tel: 358-0-403021 Don Quixota: a choreography by Patrice Bart after Marius Petipa to music by Minkus, performed by the Helsinki Ballet. Soloists Include Nina Hyvarinen, Kara Länsivuori, Pakka Yi-Marttila and Anu Sistonen: 7cm:

Apr 12, 16

LONDON CONCERT Barbican Hall Tel: 44-171-6388891 Gothenburg Symphony Orchestra: with conductor Neeme Jarvi perform Sibelius' The Oceanides, Symphony No.4 in A minor and Symphony No.1 in E minor; 7.30pm; Apr 13 Royal Festival Hall Tel: 44-171-9604242 . The Mask of Orpheus: by Birtwistle. Semi-stage performance

by the BBC Symphony Orchestra

and the BBC Singers, conducted by

Andrew Davis, Soloists Include Jon Garrison, Peter Bronder, Jean Rigby and Anne-Maria Owens; 7pm; Apr

St. Martin-in-the-Fields Church Feinstein Ensemble: with conductor Martin Felnstein perform works by Vivaidi, Pachelbel and J.S. Bach; 7.30pm; Apr 12

OPERA London Coliseum Tel: 44-171-8360111 Tosca: by Puccini. Conducted by Alex incram and performed by the English National Opera. Soloists

include Janice Caims, David Rendal and Phillip Jolf; 7.30pm; Apr 13, 18 Royal Opera House - Covent Garden Tel: 44-171-2129234 Nabucco: by Verdi. Conducted by Wladimir Jurowski and performed by The Royal Opera. Soloists

include Nina Rautio, Leah-Marlan Jones, Jennifer Rhys-Davles and Dennis O'Neill; 7.30pm; Apr 12, 17 ■ NEW YORK

CONCERT

Avery Fisher Hall Tel: 1-212-875-5030 Bach Choir of London: with

conductor Sir David Willcocks, the Fairfield Orchestra, soprano Marvis Martin, mezzo-soprano Marietta Simpson, tenor Frederick Urrey and bass John Cheek perform works by J.S. Bach, Elgar and Handel; 3pm; Apr 14 **OPERA**

Metropolitan Opera House Tet: 1-212-362-6000 Roméo et Juliette: by Gounod. Conducted by Edoardo Müller and performed by the Metropolitan Opera. Soloists include Ruth Ann

Swenson, Jane Bunnell and Francisco Araiza; 8pm; Apr 12, 18

OSAKA CONCERT

Festival Hall Tel: 6-231-6985 Candide: by Bernstein (in Japanese). Concert performance by the Century Orchestra Osaka with conductor Yutaka Sado; 6.30pm;

PARIS CONCERT

Salle Pleyel Tel: 33-1 45 61 53 00 Peer Gynt: by Grieg. Performed by the Orchestre National d'ile-de-France with conductor Jacques Mercier, Soloists include soprano Pia Freund and bertones Hans Lyaman and Soren Lillkung: 8.30pm; Apr 13 FESTIVAL Musée du Louvre

Tel: 33-1 40 20 50 50 Classique en Images 1996. Quatrième Biennale de la Musiqua Filmée: the fourth edition of this biennial festival devoted to film and music. From Apr 12 to 15 an International competition for new audiovisual productions is held; to Apr 15

■ ROME

CONCERT Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064 Württembergisches Kammerorchester Heilbronn: with conductor Jörg Färber and violinists Nobuko Imai and Adelina Oprean perform works by Vivaldi, Telemann, Hindemith and Suk; 6.45pm; Apr 12

VIENNA

CONCERT

Konzerthaus Tel: 43-1-7121211 Wiener Symphoniker: with conductor Eliahu Inbal and tha Wianer Singakademie perform Liszt's Psalm 13 and sonos from Mahler's Des Knaben Wunderhom; 7.30pm; Apr 13, 14 THEATRE

Schauspielhaus Tel: 43-1-3170616 Du solist mir enkel schenken: by Thomas Jonigk. Directed by Hans Gratzer. The cast includes Silvia Fenz, Jennifer Minetti, Eva Spreitzhofer and Sebastian Blomberg; 8pm; to Apr 20 (not Sun) (not Mon)

■ WASHINGTON EXHIBITION National Portrait Gallary

• 1846: Portrait of the Nation: in celebration of the 150th anniversary of the founding of the Smithsonian institution, this exhibition describes the political, cultural and social character of America in 1846 by focusing on the leading figures of the time; from Apr 12 to Aug 16

ZURICH DANCE

Tel: 1-202-357-1915

Opernhaus Zürich Tel: 41-1-268 6666 Das Zürcher Ballett: perform the choreographies White Streams by Ed Wubbe to music by Part, Pas da Deux by Mats Ek to music by Part, and Skating Rink by Jean Börlin to music by Honegger; 7.30pm; Apr 12

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Tonight



"availability error" - that is.

whatever first comes to mind.

This in turn is determined by

what has been recently publi-

cised, sounds dramatic and

can be expressed in images

Many readers will remember

and prejudices which so often

divers people from logical

Most of the book takes for

granted the convectional

methods of reasoning used by

the more numerate of social

scientists. However, i became

a little more suspicious when

he waxed enthusiastic about

techniques such as "cost bene-

fit analysis" and "multiple

regression analysis". Those

who follow economic matters

constantly come across refer-

ences to these techniques and

should be aware bow often

they have heen misleading.

Multiple regression analysis.

for example, has underpinned

most of the short-term eco-

nomic forecasts behind so

At this point I thought It

only fair to give a hearing to a

heretic, John Adams, a reader

many recent policy errors.

rather than abstractions.

Samuel Brittan

Some ruminations on risk

Even well-educated people find it difficult to reason about matters of probability and fall back on what has been recently publicised or can be expressed in images

There is little I can usefully in geography at University add to the millions of words College, London, He is well already written about mad acquainted with modern metbcows and the reactions to ods of risk assessment, but is them of excitable human convinced they often lead us heings. The interesting aspect astray. His point is that speof this episode is the exaggercialist consultants often do ated reaction to very small oot know the risks themselves risks - and indeed the inabiland hide this from the public ity or unwillingness of many or even themselves. so-called educated people to He has been involved in reason in terms of probabilifierce controversies about ties. Quick public judgments are often based not on any kind of risk assessment, but

safety belts in cars, which serve to illustrate the point. Most of the original arguon what psychologists call the ments in favour of compulsory seatbelts were based on a fall in car accideots in Australia after they were introduced there. So far so good, Indeed Adams rebukes the anti-safety belts lobby for at first relying too mucb on libertarian arguments against "criminalising His main point, however, is

the film Joics, about a maneating shark. The screening of that the conventional arguthe film caused a sharp drop in the number of swimmers ment for prohibition ignores off the coast of California, the human factor. If drivers where a shark can occasion-ally be found. Yet the risk of know they are protected hy safety belts they will be just swimmers being snapped up that little bit more careless. So the saving of lives in accidents by a shark is very much less than the risk of their being will be offset by the greater number of accidents which killed in a road accident while on the way to the coast. occur. This is known as the "risk compensation hypothe-The psychologist Stuart sis": it is like taking fewer pre-Sutherland, in a paperback cautions to avoid an infectious entitled Irrotionality, analyses the fears, wisbful thinking disease because one has been

inoculated. It is an open question whether the resulting increase in careless driving more than offsets the benefits of safety belts. Such arguments are rarely conclusively settled. It is enough to say that the advocates of compulsion are now a little more cautlous in the claims they make. But you have to be numerate in the conventional sense to see the force of Adams' arguments. For he does not need to say that once safety belt laws are enforced people drive around like maniacs. An increase in carelessness so small that most drivers would not he aware of it could be sufficient to more than wipe out the savings in lives from seat-

One common intellectual



distance travelled, weather

conditions and so on. It seems

to me that there is a spectrum

between pure risk - for exam

ple, when we are dealing with

properly mada dice - and

utter uncertainty, when we have no idea what is going to

But I would like to move to

a rather different example where the odds are said to be

poorly understood. That is the

addiction of millions to the UK

National Lottery. The critics

assert that the nunters do not

realise how heavily the odds

are stacked against winning

enormous prizes. But this

need not be the case. Whether

one wishes to pay for a tiny

chance of a huge fortune is a

poorer and less educated peo-

ple to be more inclined to

have a flutter on the lottery.

But one should look at the

opportunities open to people: a

successful bet against high odds may be the only possibil-

ity available for many to jump

to a higher living standard

(unlike professional and busi-

ness people who have other

opportunities for advancement

The more sophisticated

phiection to the lottery is that

it is not a fair game. In other

words, the takings are not all

ORM

in their own careers).

There may be a tendency for

matter of personal taste.

probability is to make a distinction between risk and uncertainty. Risks are calculahle and can be insured against - for instance, the chance of a normal single dice throwing a six is one in six. Uncertainty occurs when you do not even know what the risks are - as would be the case if one had no idea what was on the faces of the dice. All or none might be sixes, making it impossible to estimate the likelihood of

any particular outcome. This distinction has never quite convinced me since there are few situations where you can not ohtain some vague idea of magnitudes. Suppose that you are consider ing investing in an oil pipeline in a former Soviet republic. It might he hlown up or a new regime might confiscate it; but a little study of history suggests that the chances of this happening are well above zero, but mnch less than 100 per cent. So already there are some limits.

On the other hand, there can be some doubt about even a conventional risk calculation. The odds against being killed in a road accident on the way to a Californian beach are themselves subject to a considerable margin of error, however specifically you try to ploy to defuse arguments on pose the problem in terms of even allowing for administra-tive costs and the operator's profit. A hefty slice goes to good causes approved by the government. For this reason it would be illogical to invest in the lot-

distributed in prize money

tery if such huge prizes were available in alternative forms of hetting that returned more of the stake to the punter. But they are not. By selectively legalising its own giant betting shop, the state has got there first. If full liberalisation of betting had heen implemented, then either the pres ent prizes would not be available, or one private corporation would have established a monopoly position and taken advantage of the economies of scale obtainable in high-stake betting.

Finally, a confession. I have been avoiding heef - not obsessively but where I have had a clear choice, as in res-taurants. I can rationalise my action even if the odds against infection are as high as I would guess them to be. The main reason is that although l like roast beef or a steak occasionally, it is almost no sacrifice to eat poultry, game, fish or even pasta instead. It is not like ice-cream or patisserie. the absence of which would make me feel really deprived. Why suffer from even extremely remote neurotic anxieties when the cost of assuaging them is so small?

Having given a warning that the assessment of risk is often itself controversial and that it is much more difficult to apply impersonal logical principles to uncertainty, I believe it is still better to be numerate than innumerate.

Further reading: Innumeracy by the American mathematician J. A. Paulos (Penguin £6.99). Look also at the sequels, A Mathematician reads the Newspaper, and Beyond Numeracy (Penguin). The books demonstrate you do not have to be adopt at long computations to follow mathematical tiess. I wish somebody would do the same for econometrics. Irrationality by Stuari Sutherland (Penguin) and Risk by John Adoms (UCL) have been discussed The Theory of Choice, by S. H. Heap and others (Blackwell) is a lively mirroduction to the controversies in the area

Personal View · Chris Patten

Nothing mysterious about Asia's success

Free trade gave the region its big break. Now it must match the west's freedom and flexibility

once declared that "miracles do not happen". That is exactly how I feel about economic miracles. Of course, what has happened in parts of south and east Asia in the past 40 years is astonishing. Of course, what is happening economically in China is impressive. But we should not dismiss all of this as miraculous. If there ever was an eco-

The writer Mat-

thew Arnold

nomic miracle, it happened in England in about 1780 when an agricultural and industrial revolntion defined the beginning of the modern era. Because Britain had no one to learn from, it took almost 60 years to double per capita output. From then on, the pace of economic change accelerated. It took the US 50 years after 1840 to douhle its per capita output. It took Japan 33 years after 1880. It took Indonesia 17 years after 1965. It took South Korea II years after 1970. And China managed it in just 10 years

What has happened in Asia during the past 40 years is not at all inexplicable; it has happened before, and we understand the processes at work. It is not some inscrutable eastern mystery; it repeats western experiences which had nothing to do with Confucianism. Above all, it is not a threat to the mature economies of Europe and north America; it has expanded our economic horizons and our husiness opportunities.

Inevitably, I see Asia through the prism of Hong Kong, which is almost certainly the world's freest economy. Hong Kong's and Asia's economic success has three principal components: no miracles - just ambition, economic liberty and free trade.

sheer will to succeed, which is so characteristic of the people of Hong Kong and of most of its neighbours. No one in Asia sniggers behind their hand at those who succeed or at the very notion of progress.

For these amhitions to he realised, Asian governments had to grant their citizens economic liberty. At the end of the Pacific war, Hong Kong and its neighbours were in a poor state. But in Japan, South Korea, Taiwan, Hong Kong, Thailand, Indonesia, Malaysia and Singapore, governments gave their people the economic liberty they needed. This is an experience which has more recently been repeated in China and Vietnam.

But it was free trade which gave Asia its hig break. The new economic era worked because the US economy took off after the war and pulled the rest of the free-market world with it. Access to western markets made possible the exportled growth of the east and south-east Asian economies.

What of the future? I am not so sure, but I do know that we should dispense with such glih notions as the 21st century being Asia's century in some exclusive or overwhelming way. Let me offer a few thoughts, not entirely my own, about the challenges facing

Asia in the next century. The first wave of successful Asian economies are now approaching maturity, Hong Kong, Japan and Singapore must now face the challenge not simply of catching up with the mature, technology and information-based economies of the west, but the equally arduous challenge of keeping pace with them. They must match the other advanced economies in what one Asian economist has called "qualitydriven" growth rather than the "quantity-driven" growth that has so far characterised Asian economic development outside

Quality-driven growth puts a premium on inventiveness, creativity and technological flexibility. The communities which will be best equipped to com-pete on these terms will be

those that can provide social and political liberty in addition to economic liberty, those that can handle social and political pluralism. You will not compete successfully for qualitydriven growth if you attempt to restrict the flow of financial and other information, if you lock up your scientists because their independence of mind leads them to inconvenient political conclusions, or if economic efficiency is distorted by cronvism and corruption. Toleration of dissent, the rule of law and a free press are real comparative advantages in the age of quality growth.

The second and third waves of Asian development have yet to peak, and they face another challenge. As they grow. China, India and Indonesia will have to find ways to deal with the immense pressures of population growth. Within 20 years, there will he seven Asian citles with populations in excess of 20m. Will these countries be able to make the infrastructure lovestments necessary to deal with the pollution, the traffic congestion and the massive pressures for housing and employment.

which seem to be inevitable? One writer has argued recently that the challenge for Asian communities, once their economies bave ridden the first wave of development, will be to overcome what he has called the continent's institutional weakness. He sees this in terms of opacity in corpo-rate governance, a lack of political accountability, and inadequate physical and social infrastructures. There are also growing doubts about whether Asian nations can develop the necessary security structures to enable them to maintain their own balance of power.

The jury is still out on all of this, but the rest of us should he hoping and praying that Asia does get it right. Because we all have a very big stake in Asia's stability and its success.

The author is governor of Hong Kong. This article is extracted from last night's 1996 Roy f Bridge memorial lecture of the

"The future of desktop computing business strategies for the

network - centric computing era".

FINANCIAL TIMES

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·LETTERS TO THE EDITOR·

German pensions create brake on employment

From Mr Konrad Tomica. Sir. Your article on Germany's pensions ("The storm on the horizon", April 9). and the inset, "A boost for capital markets", should have gone further. The German company pension system is not only "a significant structural hindrance to the development of German financial markets" but also an obstacle to labour mobility and, thus, a hrake on employment.

To be able to transfer their company pension entitlements most workers with standard employment contracts must, under German law, have completed at least 10 years with an employer and be over 35 years of age. (Rare exceptions are, for example,

where someone in a senior position can contractually secure a better deal or where an employer is prepared to give a prospective employee who by moving would forfeit say six pension years - a similar number of years "pension credit".) Even if one is fortunate

enough to be able to "keep" his or her pension entitlement, there is still a loss resulting from the break in continuity. What usually happens is that when someone leaves a company, the pension entitlement will be actuarially determined and frozen, often in a type of life insurance. For example, if, after 15 years' service with XYZ GmbH. 45-year-old Herr Schmidt is

eligible for a pension of DM2,000 per month when heleaves his company, this entitlement will be frozen at this amount until he reaches the normal retirement age of 65. Only then will he receive annual increases. At his next employer he will have to start all over again. This means those who

willingly or unwillingly change jobs will often end up with only a minimum state pension, as mentioned in your article. The British or American method of employers and/or employees continuously paying into an institutional pension fund is virtually unknown in Germany. This is one reason that tends to make German workers reluctant to move and

fire German workers at the best of times; so it is not uncommon to see discontented workers just sitting out the last two or three years that they need to complete their pension decade - thus blocking the way for other workers who might otherwise be hired. It is ironic that, in a country

often to make the best of a bad

job. It is virtually impossible to

which claims that its over-restrictive labour laws and trade union agreements are to protect the interests of the individual, one finds such a glaring anomaly.

Konrad Tomica, Spessartring 2, 61381 Friedrichsdorf,

Legal haze

From Mr Andrew Dixon. Sir, Mr Shizuo Ito believes even a child knows that smoking is bad for the body" ("Smoke haze over Japan sell-off", April 6/7). If so, why is he representing four smokers who are blaming Japan Tobacco for not warning the consumers of the health hazards of smoking?

Andrew Dixon, Société Générale Hibiya Central Building. 2-9 Nishi-shinbashi, 1-chome Minato-ku, Tokyo T105,

Employee allowance aid to job creation

From Mr Jan Peter Olters.

Sir, With wage competition being deemed politically undesirable and social claus highly controversial, the solntion to the wish - as expressed during the recent Group of Seven joh summit in Lille – to design a "third" (distinctly non-American) way of creating new, secure, high-income, and full-benefit jobs might lie in some form of an "employee allowance". Analogous to family-supporting child allowances, it reduces a

company's direct tax burden proportional to its domestically employed full-time labour

Beyond creating significant recruitment incentives for the private sector, such a tax scheme would allow governments to prevent the erosion of social standards and outward investment towards low-wage countries.
It would permit them to reduce the tax burden only for companies that act in a "socially conscious" fashion that is, it would benefit

penalise those which fire. Moreover, with a resulting decreased pressure on the public purse, an employment allowance-type job creation programme is, potentially, neutral in its fiscal implications, while being economically beneficial to companies, employees and the still unemployed.

companies which hire and

Jan-Peter Olters 163 rue St-Paul est, apt D Montreal PQ H2Y 1G8

International financial support a key to ensuring Angola peace

From Dame Margaret Anstee. Sir, I was glad to see Angola's plight highlighted in Michela Wrong's report "After the war, the hell drags on" (April 2). It is certainly high time that the Angolan government adopted more stringent economic policies, but the issues are complex and closely linked with the peace

Angola finds itself in a cleft stick. Without economic revival and genuine prospects of a decent livelihood for the thousands of soldiers who have to he absorbed into civilian life, the peace agreement signed in Lusaka in November 1994 will remain fragile. And without some acceleration of

the painfully slow progress in implementing that agreement, public confidence that the war is really over will remain low, and the climate unfavourable to reconstruction, investment and development.

A key element is the rapid cantonment, disarming and demobilisation of Unita's troops and the formation of the new, joint armed forces, drawn from both sides of the conflict. The speedy constitution of a government of national reconciliation in which Unita will also participate is equally essential

Some of these measures have financial implications and it is important that the policies stipulated by the international

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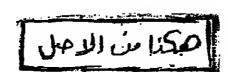
financial institutions, especially the International Monetary Fund, should not imperil that peace proce Demobilisation is likely to take so long that it is proposed initially to absorb a much higher number of Unita troops than originally intended into the new armed forces and demobilise them from there. This will entail a higher hndgetary cost than

peace and political stability. Similarly, the international community can help by linking provision of aid for reconstruction and development to tangihle progress by both sides in implementing the measures

anticipated but one vital to

agreed in Lusaka, As we are seeing in Bosnia, the road to post-conflict reconstruction and development is extremely rocky and uncertain. In the case of Angola, there are, at last, some encouraging signs that a lasting settlement may now be possible. They must not be jeopardised.

Margaret Anstee, under-secretary-general of the United Nations and special representative of the secretary-general in Angola 1992-93) c/o The Walled Garden. Knill, Nr Presteigne,



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COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday April 11 1996

The ins, the outs and Emu

The purpose of economic and monetary union is to strengthen the economic and political totegration of Europe. Unfortunately, in the debate about the prospective relationship between Emu's "ins". "pre-ins" and "outs", the single market and even European co-operation are in some danger of being sacrificed to Emu. The informal meeting of the EU's finance ministers and central bankers in Verona oext weekend must prevent this from bappening.

The reason for the difficulty is clear, if the convergence criteria in the Maastricht treaty were applied strictly, the first wave of entrants into Emu, in 1999, would consist only of currencies that already have a history of stability against one another - the D-mark, the Dutch guilder, the French franc, the Austrian schilling and maybe the Belgian franc. Emu would then fail to do much, if anything, to reduce exchange-rate

For those who regard such instability as anathema, this failure would rob Emu of most of its purpose. Their suggested answer is a new and tougher exchange rate mechanism, with fiercer enforcement mechanisms, perhaps including restrictions on budgetary transfers to the bad boys or even barriers to free internal

Such ideas are illegal, unnecessary, counterproductive and

The ideas are illegal, because the single market is an acquired right of all EU members. Access to it is not a privilege dependent on willingness or ability to join Emu. To suggest that it could become so amounts to a questioning of the antire legal basis of the EU.

Devaluation myth The ideas are unnecessary,

because competitive devaluation is a myth. Member states have devalued in recent years either because they made a mess of their own affairs or because they found the monetary policies pursued by the Bundesbank far too restrictive to be acceptable. In the former market and even the workability case devaluations were inescap-able; in the latter they were approments do not make free internal by the ladies and gentlemen meet-trade impossible or undesirable. by the ladies and gentlemen meet-ing this weekend in Verona.

Indeed, one of the conclusions of recent studies is how modest is the impact on trade of even quite large short-term price movements. The ideas are counterproductive

because the costs of fragmenting the single market would outweigh benefits of currency stability and the political costs of punishing outsiders would exceed the advantages of making them toe the currency line. It is difficult to imag ine anything more threatening to EU harmony than to punish countries twice for their failure to make the Emu grade.

Reciprocal commitment Finally, the ideas are unworks

ble, because a tight ERM cannot function without strong reciprocal commitment by the European Central Bank. But the Germans are determined that any new ERM would rule this out even more than does the present one. In his FT interview today, for example, Mr Hans Tietmeyer, president of the Bundesbank, makes clear his determination to avoid large-scale intervention by the European Central Bank in defence of an inappropriate exchange rate.

Exchange-rate stability would then depend on the credibility of the unilateral commitment by a member state that had either failed the convergence criteria or had chosen to stay out of a single currency. Only a wide band arrangement, such as the present ERM, could be envisaged, not because it would work when challenged, but because it would not be challenged that often. Even so when a currency did reach the limit of its bands, changes in monetary policy would succeed in defending the exchange rate only if they seemed consistent with domestic economic objectives. This being so, domestic stability

must be the main aim.

Tha relationship between the ins and outs is potentially very dangerous. But the danger is not that the outs will steal a march on the ins by competitive devaluations. It is rather that the ins may be willing to sacrifice the singla priate. Moreover, currency move- This is the danger to be avoided

Securing Japan's defence

Most Asian leaders still do not like,' to admit it too publicly, but recent events in the Taiwan Strait and tension on the Korean peninsula have been a salutary reminder of the oeed for a continuing US security presence in the region. At next week's summit, president Bill Clinton and prime minister Ryutaro Hashimoto thus have an extra incentiva for reaffirming their commitment to the Japan-US security arrangements on which that presence depends.

The task will not be easy. Trade issues are finally moving away from centre stage in the US/Japan relationship, but the security leg has shown signs of wobbling now the cold war is over. Opposition to US bases on Okinawa was exacerbated by last autumn's rape of a schoolgirl by US soldiers. The public in both countries is too little aware of the importance of the alliance. The US worries that Japan is unwilling to pull its weight in security matters.

There are some encouraging signs. Japan has agreed to supply the US military with spare parts and a larger range of services. But this symbolic move, expected to be anshrined in a fresh defence agreement announced during Mr Clinton's visit, does not remove the need for a broader review of roles in the region.

Japan must again rethink tha constitutional constraints on its self-defence forces. But both sides must proceed with care as well as determination. Having promoted Japanese pacificism after the second world war, the US cannot now complain too loudly about its lack of belligerence.

Calming factor

The US desire for Japan to play a more active security role must also be offset by the reluctance of Asian countries to see Japanese forces freely deployed in the region. If North Korea were to invade, South Korea would rely on US support. Given memories of occupation, it is difficult to see Seoul welcoming Japanese troops on to its territory. There is also danger in encouraging extreme elements in Japan which remain committed to nationalism and less so to pacifism. A continuing US presence is a calming factor, as it eases some of the internal pressures for Japan to re-arm.

The first part of any reassess ment of the security ties must involve US recognition that there are limits on what Japan can do. The second part is for Japan to accept that those limits lie some where beyond its present contribution. To a sceptical US public the relationship will always seem lopsided if Japan continues to hide behind constitutional constraints in offering only lightly armed and grudging support for UN peace-keeping exercises.

A good deal

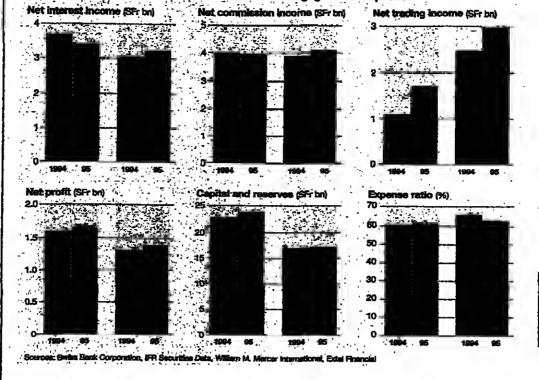
This requires a more open debate on defence policy than Japan has yet undertaken. Last November's review which promised a cut of 20 per cent to 145,000 in defence personnel commanded a consensus that for the first time involved the Socialist party. But there is a need to go further. The Japanese government must convince its own people that the deal whereby the US provides security in return for bases is a good one. That will reinforce its argument that, despite local opposition, US forces should remain in Okinawa - a vital staging post if they are to play a wider regional role.

More important, Japan must revisit the interpretation of the constitution which says that its self-defance forces may respond only to a direct attack on Japan itself. If Japan is to be a more equal partner for the US, it must be prepared to embrace the concept of collective defence and show greater willingness to play some part in common actions such as the Gulf war.

The trouble is that debate on this issue remains difficult. There are fears that it might split the governing coalition or the Liberal Democratic party itself. But in avoiding the debate, Japan's ruling elite risks international embarrassment and internal agonising the next time a crisis strikes. Japan's political leaders should seize the initiative, launch the debate now and steet it towards the appropriate conclusion. The Japan-US alliance - and with it the security of the whole Asian region - would end up stronger as

Thinking of linking: the courting couple

Union Bank of Switzerland and Credit Suisse: the engagement snapshot



After the event: where the merged bank would stand J.P. Morgan **UBS and CS** Fuji Benk Credit Suisse/CSFB **BankAmerica** Sanwa Bank Citicorp Too bookrunners 1995 Sakura Bank **UBS** and CS Merrill Lynch Nomura Fidelity **UBS** and CS

The top 10 banks Bank of Tokyo-Mitsubish Industrial Bank of Japan Sumitomo Bank Dai Ichi Kangyo Bank UBS and CS Chase Manhattan* Investment managers Capital International 154 State Street Global 139 Zurich Investment*

Steep mountain to climb

A plan to merge two Swiss banks to establish one of the world's most powerful financial institutions faces serious obstacles, says Ian Rodger

he revelation this week that Switzerland's two largest banks are discussing a merger that would create one of the biggest global financial institutions has startled bankers across the

A Zurich newspaper revealed on Tuesday that CS Holding, the group huilt around the Credit Suisse bank, had proposed to the Union Bank of Switzerland that the two explore the possibility of a merger.

Few Swiss analysts take the proposal at face value, even though in Switzerland, as elsewhere, big hanks are facing an urgent need to cut costs in the face of intensifying competition. They see too many legal and practical obstacles for two banks that play such important roles in a small country like Swit-

"In theory, it looks great, but the mix would not be a triple-A bank any more." Mr Hans Kaufmann, banking analyst at Bank Julius

Baer in Zurich, says.

The merger would certainly result in some impressive statistics. The merged bank would be the second largest in the world in terms of assets, behind the recently merged Bank of Tokyo-Mitsubishi Bank. It would be one of the world's largest fund managers, with over \$500bn under management. And it would have significant market shares in most investment banking busi-nesses in Europe and the US.

At first glance, the benefits would appear to be considerable, especially in their international businesses. UBS is a strong player in equities while Credit Suisse subsidiaries, First Boston and CS First Boston, are leading bond market players. UBS is weakest in the US where CS First Boston is strong.

In Switzerland, however, where a wave of protest against the idea of a merger broke out yesterday, the combination would cause considerable misery. Both banks have overlapping retail networks, and analysts suspect nearly half of their combined 750 branches would have to close, with substantial redundancies among the 16,000 employees. "It is politically not possible," another Zurich banking analyst said vesterday.

The new bank would expect to lose business in Switzerland to other local banks as business customers spread their custom.

Legally, a merger would face daunting hurdles: under UBS stat-utes, it would have to win votes representing two-thirds of the total equity capital. And the Swiss cartel commission would be expected to look critically at a merger that would result in a single bank having dominant shares in many retail

One analyst said one of the banks would probably be forced to try and sell its retail network, but he anticinated few bidders for a presence in Switzerland's heavily overbanked domestic market.

Shares of both groups, which had jumped on the news on Tuesday, fell back yesterday while those of Swiss Bank Corporation, the other big Swiss bank, rose, Swiss banking analysts are now becoming increasThey see it as yet another strange twist in the epic governance battle between the UBS board and its largest shareholder, the maverick Zurich broker, Mr Martin Ebner.

It is no coincidence, they suggest that it has come out only a few days before what is expected to be a tense UBS annual shareholders'

Mr Ebner, whose BK Vision investment fund has roughly a 5 per cent stake in UBS, has tied the bank up in the courts for nearly two years challenging its plan to create a single class of shares. He objected to the conversioo because UBS offered no compensation to holders of registered shares for the extra voting power they enjoyed.

The plan was approved by a slim margin at a shareholders' meeting in November 1994. But Mr Ebner won an injunction blocking implementation and charged UBS with improperly buying large blocks of

This time, Mr Ebner is calling oo fellow UBS shareholders to reject the nomination of Mr Robert Studer, the bank's former chief executive, as chairman. He argues that Mr Studer failed to rise to the challenges facing the bank in his sevenyear term as chief executive.

The merger proposal, with its threat of redundancies in Switzerland, comes at a convenient time for UBS. The UBS board would probably win the allegiance of many Swiss investors, including that of employees, if the promised statement after its board meeting today rejected the merger. Many observers suspect UBS leaked news of the merger talks.

For its part, Credit Suisse may bave sensed an opportunity to improve its own prospects through a merger. Its profits have been lacklustre in the past two years as a result of a costly 1992 acquisition of Swiss Volksbank, and trouiovestment banking subsidiary. And even if Credit Suisse is rebuffed, the public disclosure that it initiated a discussion might encourage other potential partners. "Credit Suisse can hardly shout, 'Help' Help', but the effect is basi-

cally the same," a Geneva banking analyst said yesterday. Analysts agree Credit Suisse would stand to gain most from such a merger, a view reflected in the much greater rise of its shares vesterday after the announcement. Whatever happens to the merger

idea, both banks must carry out substantial restructuring in the next few years to reduce their costs. The ratio of operating costs to reve nues of both is significantly higher than that of the best US banks.

"UBS is strong eoough to carry out the restructuring that will be needed on its own," Mr Kaufmann said. "But Credit Suisse's flexibility is very restricted by its small equity

Rivals not quaking with fear yet

T ow many banks can hope to survive to the end of the century with their ambitions to be global financial powerhouses intact? If a merger were to take place between Union Bank of Switzerland and CS Holding, the two largest Swiss banks, it would cer-

tainly create a financial giant with a claim to be one of the contenders. But rival investment and commercial banks were yesterday far from overawed by the prospect of a UBS-CS combination.

A merger of the two banks would have the scale many bankers think will be necessary to compete. Its market capitalisation of more than \$40bn would rank second only to Citicorp among non-Japanese banks - ahead of Chase Manhattan, which since its merger with Chemical Bank has been telling investors how important size will be in global financial markets.

CS's control of CS First Boston, the Wall Street investment bank, also provides the bridgehead into the US wholesale banking market

that other European banks have found so difficult to establish. "Unless you can be coherent about the US, you aren't going to be credible as an investment banker," says one US investment banker.

In fund management, a merger would create a huge business - possibly the largest fund manager in the world. Statistics compiled by William M. Mercer, the pensions adviser, suggest that the combination would rank third in the world, with \$175bn under management, behind Fidelity and BZW.

But neither Swiss bank publishes figures, and Mercer's estimate almost certainly understates their private trust funds managed in Switzerland. Some Zurich bankers calculate that UBS alone bas between \$400bn and \$650bn under

UBS-CS would also be a formidable presence in bulk businesses, such as custody of securities and transmission of payments, where size can reduce processing costs.

These are the kinds of attributes that a European bank is going to need if it is to break into the "global bulge bracket", the elite international banks who dominate global primary and secondary mar-kets, and command the lion's share of corporate customers' fees.

"The financial rewards are reserved for the first-line players, and the risks are the same for everyone," says Mr Martin Owen, chief executive of NatWest Markets, the investment banking arm of the UK's National Westminster Bank. But in the mathematics of investment banking, it is not clear that one plus one will necessarily add up to two.

Mr Georges Blum, chief executive of rival Swiss Bank Corporation, warned as much last month, when market rumours suggested his own group might merge with UBS. He said bank mergers did not offer the same benefits as the alliance between Ciba and Sandoz in the pharmacenticals industry: "We have the same goals, the same strategies, the same customers' Competing banks warp that the cultural differences between UBS

and CS would be particularly hard UBS, which unlike its Swiss competitors has retained an AAA credit

rating - the highest possible - has always operated under mncb tighter rules for credit and risk control. That might sit ill with the free-wheeling derivatives traders of Credit Suisse Financial Products. UBS bas also insisted on completely integrating its investment banking nperations within the group, avoiding the creation of a

bank within the bank. CS, nn the other band, only owns a 68 per cent stake in CS First Boston, though it controls all the voting stock. Rival bankers appear unworried

hy the prospect of a merger. "Nobody is going to start quaking for at least a couple of years," said nne London hanker yesterday. "They would have to take their eye off the ball while they managed the merger, and would tend to stumble

George Graham

OBSERVER

The cow is in the post

■ One place Britain's benighted cattle farmers can count on a bit of sympathy from is Spain. For almost 30 years Spanish pig breeders went through the same kind of trauma with pigs as the UK.
is now going through with cows. Restrictions on exports of pork products from Spain - imposed in 1960 because of an outbreak of African swine fever, apparently hannless to humans but fatal to pigs - were finally lifted by

European Union authorities only in November last year. Now the regional government of Cantabris in northern Spain; one of the main livestock areas, is extending a helping hand to the UK in its mad-cow crists. José Alvarez Garcedo, its agriculture chief, is proposing to help rebuild

Britain's catfle stock. He says Cantabria has the capacity to export between 25,000 and 30,900 head a year, and is inviting UK experts to inspect the sanitary conditions of its herds of Frieslan dairy cows and other breeds. The twice a week Santander to Plymouth ferry service could be used to recolonise British fairns, he suggests. All this is not pure altruism, of course. The idea is that the UK

market will boost prices for

Cantabrian cattle, which are

already exported to France and

Belgium as well as other parts of Spain. Perhaps the UK could

reciprocate by offering the Spanish a postal service. Alvarez Garcedo says he wrote to the British . embassy in Madrid setting out his proposal on March 28; the embassy said yesterday it still hadn't received it.

History makers

The late François Mitterrand's dresm of creating an exenymous research foundation is to be realised. The Francois Mitterrand-Institute will live at an apartment in the chic fifth arrondissement in Paris, and will begin life with funds of FFram, half from the ex head of state's friends, and the rest generously provided by the French government.

The objectives of the foundation are "to contribute to the knowledge of contemporary French political and social history". It's already making a contribution to historical research – its list of 13 founder members includes Mazarine Pingeot, Mitterrand's daughter by a mistress, whose existence was only acknowledged

Surprise surprise The proposal of a merger between CS Holding, the group bank, and Union Bank of Switzerland, has caught many a bank strategist on the hop. Even Josef Ackermann, chief executive of Credit Suisse, cannot claim to have been very far ahead of the

Speaking to a group of Swiss journalists at a pre-Christmas gathering, Ackermann was asked that old chestnnt about whether there was still room for three large retail banks in the country - the other two being UBS and Swiss Bank Corporation.

Ackermann said he saw no possibility of a reduction in the troiks. None of the three could afford unilaterally to withdraw, because of astronomical closure costs. The Swiss cartel office would certainly not allow a merger or takeover of one by any of the others, he contended. That left the possibility of a foreign bank buy in which case there would still be

Perhaps CS Holding chairman Rainer Gut should have been at the meeting.

Rosty gets porridge ■ How the mighty are fallen. Dan Rostenkowski, the once powerful chairman of the US House ways and means committee, is about to start 17 months in prison and hand

over \$100,000 in fines. Rostenkowski was charged with making thousands of dollars of payments to "ghost employees",

and of diverting \$724,000 in federal money and campaign funds for personal use.

Admirers of "Rosty" depict him as a victim of rule changes in the political system. He was a product of the Chicago Democratic chine, with its ward bosses and

Under this system, three decades ago, Rostenkowski expressed indignation when a judge ordered him to stop using party funds to pay his constituents' parking tickets - a practice be argued was "good politics".

I am very proud of my 36 years in Congress," Rostenkowski said after being sentenced. "When I am released from incarceration, I intend to be actively involved in public life." Don't say ynu weren't

The rat's off

■ Fed up with beef? How about rat? If Vietnamese meat-eaters are to be believed, rat can be a wholesome alternative. Rat is now going down a treat in two provinces northeast of Hanoi, in Hai Hung and Ha Bac, where tha animals are cleaned and sliced before being laid out oo large bamboo plates. Connoisseurs say boiled rat, served dipped in a seasoning of salt, pepper and spices such as red pepper or lemongrass. is good, but they prefer steamed rat, well stuffed with lemon and guava leaves. Enjoy.

100 years ago

"Financial Times

Canada and the Empire

The Toronto Board of Trade yesterday evening unanimously adopted the following resolution: "That the advantages to be nbtained from a closer union between the various portions of the British Empire are so great as to justify an arrangement as nearly as possible of the nature of a Zollverein within the Empire consistent with local tariff requirements. The rising in Rhodesia Salisbury reinforcements, foot. mounted and waggons, left for Gwelo, being joined by 200 Native Contingent at Charter, also 200 Sondanese from Beira Captain Macfarlane found rebels had made two further attacks on Mr. Gifford's position, but were repulsed with heavy losses. Casualties:- Lumsden and Hulbert, severely wounded; Trooper Herman, crushed by borse. Column returned Bulawayo. All wounded making progress. - Reuter.

50 years ago Forged war bonds

The Stock Exchange and the banks have been warned of the existence of forged 3¼ per cent War Bonds. Detective Inspector P. Bugney of Scotland Yard, and a special branch officer who will act as interpreter, have gone to Paris in connection with these and bank note forgeries.

FINANCIAL TIMES

Thursday April 11 1996



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China's \$1.5bn Airbus deal boosts consortium

By David Buchan and Michael Skapinker in Paris

Mr Li Peng, the Chinese prime minister, yesterday signed orders to buy as much as \$1.5bn in Air-bus aircraft. This is the first big breakthrough for the European consortium in China's eviation market, which has been dominated by Boeing of the US.

The new order for the 30 A320 Airbus and the confirmation of a previous order for the three A340s will virtually double the European market share in China, which so far has only bought 35

Contracts were also finalised last night for a FFr250m (\$49.2m) technology supply contract for Gaz de France in Shanghai and a FFr2.4bn credit agreement to finance the extension of Peugeot-Citroen's car plant in Wuhan. This plant, which makes Citroen ZX lower-medium range cars, is due to expand output livefold to reach 150,000 vehicles a year by

the European consortium comprising Aérospatiale of France, Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace

and Casa of Spain. It follows a cooling of China'a relations with the US, strained by disputes over trade issues, buman rights, Taiwan and arms proliferation.

The Chinese orders for 30 short-haul A320 aircraft and for three larger A340 aircraft came as Mr Louis Gallois, chairman of Aerospatiale of France, urged allocating work in accordance with the shareholdings of its

partner companies. In an interview with the Financial Times, he said that this proposal would allow Airbus to seek out low-cost suppliers.

The Airbus order is a blow to

US aircraft companies, though it was foreshadowed by last month's postponement of a trip to the US by Ms Wn Yi, China's trade minister, who was to have 001. visited Boeing and McDonnell
The Airbus deal is a coup for Douglas. Boeing has been negoti-

ating to sell China 10 777s, five 747-400s and 15 737s. Airbus said last night that the new order might not end Boe-

ing's pre-eminence in the Chinese market, but was a warning to the US that China is "now looking seriously at European alternatives" for new aircraft. "This is the kind of warning I like," Mr Gallois said.

Ten of the A320s will go to China Southern Airlines, one of the country's largest carriers which has not previously bought

The other 20 have yet to be allocated to other Chinese carriers, but are understood to be firm

The Chinese orders, signed last night in a ceremony between Mr Li and his French opposite number, Mr Alain Juppé, is also con-solation to Airbus for losing to US competitors recent aircraft contracts placed by Singepore and Malaysia.

Aérospatiale chief backs Airbus

New York move to cashless society

experiment yet seen in the US with "smart" cards.

The city's two biggest banks, Chase Manhattan and Citicorp, and the two international payment organisations, Visa and MasterCard, have overcome their traditional rivalries to co-operate

string of programmes announced in recent months to bring the smart card to the US. Such cards have been taken up far earlier in a number of European countries and can be used for small-value

The New York pilot will

York pilot comes ahead of the first large-scale US experiment launched during the Olympic Games this summer in Atlanta.

Many retail banks now see the

sors can perform many other functions, from supporting loyalty programmes to encourage frequent use, to providing secure Ron Braco, senior vice president in charge of electronic commerce at Chase Manhattan. "We recognise that it's in our interests to get a chip on to the card," he

New Yorkers, however, have proved resistant to the smart card before. An ettempt over the past two years by the city's Metropolitan Transit Anthority to

Such resistance, though, will not prevent the spread of the smart card, predict its advocates. Mr Bruco said: "While New York-ers are resistant to technology, they're very keen on conve-

Bundesbank outlines plans for EU currency stability

By Andrew Fisher and Peter Norman in Frankfurt

Plans to forestall political and currency turbulence between countries within European monetary union and other European Union countries were revealed yesterday by Mr Hans Tietmeyer,

president of the Bundesbank. The head of Germany's central bank said the proposals sought to make fluctuations between the euro - the proposed Emu single currency - and other EU currencies less tied to national prestige by giving the planned European central bank a role in exchange rate changes.

The plan will be discussed at tomorrow's informal meeting of EU finance ministers and central bank governors in Verona, Italy, In an interview with the Financial Times. Mr Tietmeyer proposed that the president of the future European central bank would use "supranational authority" to oversee changes to rates, members when their currencies came under pressure. The rela-

tionship between Emu's "ins and outs" will head the Verona

Mr Tietmeyer boped ministers would react positively to the plans, broadly agreed by EU central banks but not previously aired in public,

They would considerably enhance the status of the European central bank president, who would consult closely, and in pri-vate, with non-Emu countries and "set the ball rolling" on talks about changes in their parities against the euro.

The proposals would avoid the placing of too beavy an obliga-tion on the bank to intervene in currency markets after Emu's launch, due in 1999. But governments would have the final decision. "I don't want to depoliticise the system but to get the political prestige question out of the way." Mr Tietmeyer held out the possibility of further cuts in German interest rates and expected the reversal of last year's sharp rise and other currencies to continue

been largely corrected "and there are chances that it will correct tself still further",

The last cuts in the German discount and Lombard rates, which set the floor and ceiling for money markets, were in December when they were low-ered by half a point to 8 and 5 per cent respectively. Mr Tietmeyer said the Bundesbank would "assess carefully" whether there was scope for a further reduction. It would not lower rates solely

to improve German export competitiveness by helping the D-Mark ease further. "Wa cannot pursue a policy that leads to a crisis of confidence in the D-Mark." A policy that risked internal stability to achieve greater competitiveness "would be a dangerous game, playing with fire", he said.

He said the Bundesbank's emphasis on stability should be carried into both Emu and its links with non-Emu currencies.

> Ins and outs, Page 2 Editorial Comment, Page 9

The "exchange rate shock" had

of the harassment was blamed on assembly line workers and junior management, but 30 women who sued Mitsubishi in 1994 claimed that Japanese managers routinely said women did not belong in factories.

Sexual barassmeot lawsuits are rare in Japan, where suggestive photographs can still be found in offices, lewd jokes are common and job discrimination against women is routine. Industry analysts said it was too early to assess the impact on Mitsubishi Motors, but warned the case could damage the company's rep-utation in the US and possibly

"The outcome is difficult to determine but it is clearly a negative factor," said Mr Koji Endo, industry analyst at Lehman Brothers in Tokyo. The charges

in 'smart'

New York's afflueot upper West Side will get its first taste of the cashless society later this year with what is set to be the biggest

announced yesterday.

Bank automatic cash dispensers will be modified to "load" money on to a microchip embedded in the card, and small merchants such as newspaper vendors - many of whom do not accept credit or charge cards will be given incentives to acquire the machines needed to

The pilot is the latest in e

involve the banks blanketing the 30-odd blocks of the city sandwiched between Central Park and the Hudson River with the technological infrastructure needed to support a cashless

community.

The banks see this as fertile ground for testing a plastic card that they believe could one day largely replace cash.

The announcement of the New with smart cards, which will be

smart card as a key weapon in their attempts to win back customers from non-bank finance and credit card companies.

Once embedded in a customer's standard bank card, microproces-

THE LEX COLUMN Sinking Suez

Since Mr Gérard Mestrallat took control of Suez last year following a shareholders' revolt, some things have got better. He has shaken up Société Générale de Belgique, the Belgian industrial holding company in which Suez has a majority stake. And the pain of provisioning against property loan losses incurred by Banque Indosuez appears to have been taken, barring any further weakening of the French property market. This means that the management's promise yesterday of a return to profitability in

1996 looks reasonable. Sadly, this has not been enough to prevent the share price from falling since Mr Mestrallet took over. He may be managing the existing group better, but the group still lecks strategic focus and the real solution to its prob-

lems is still to break it up. At the very least, Mr Mestrallet should get on with selling off Banque Indosuez. Yet he maintains that it is an integral part of the group, on course for recovery as an "integrated international merchant bank, specialised in the Europe-Orient axis". This looks as unconvincing as it sounds. The bank's earnings have plummeted, and it is hard to believe that it can compete as a top-tier investment bank in either Europe or the Middle East or the Far East. There is, though, a logical fit with Credit Agricole, which is believed to be interested in buying it and is probably the only French bank that could afford to do so. In addition, it should be easy enough to sell Suez's specialised finance aubsidiaries. But until there is evidence that more drastic action will be taken, the shares are likely to continue to underper-

Olivetti

Investors in Olivetti have little for which to thank Mr Carlo De Benedetti, its chairman. Since the Italian computers to telecoms group completed its 1.2,257bm (\$1.4bm) rights issue in January, the shares have fallen 36 per cent. as the group announced that losses had escalated during the rights issue period. Now that foreign investors own an estimated 70 per cent of the group, they have the opportunity to do

something about it. There is a lot at stake. If one applies the same valuation per population for the network area as recently-listed Orange, Olivetti's etake in mobile phona operator Omnitel is worth around L920 a share against Olivetti's current L831.5 share price. Since Italy has only two operators and a compara-tively undeveloped market, such a valuation does not look flattering. More-



over, there remains significant value in the group's office equipment subsidiary, Lexikon, and the systems and services divisions. Assets will have to be sold to fund telecoms investment but the current break-up value, excluding personal computers, is close to

1990 91 92 93 94 95 96

L1,400 a share.

Mr De Benedetti tried to build Olivetti into a significant force in European computers, and he is now desperetely downsizing it to create a saleable asset. Next week, a trading statement will show whether his strategy is working. If he is winning, the shares will look very cheap. If he is losing, outside shareholders should make the most of Mr De Benedetti's diluted shareholding by appointing e chair-man who will take more drastic measures to realise the substantial value hidden within the business.

Mr Hans Tietmeyer's reservations about how far non-Emn currencies could be inflexibly tied to the curo through a re-heated exchange rate mechanism are a breath of fresh air. What he does not spell out is that the whole idea is flawed: if a country cannot join Emn because its economy is not robust enough, any attempt to link its currency to the euro is bound to

Different logic applies to Britain, since it probably could join Emu but may choose not to. But suggestions that it might be forced or pushed back into the ERM, without genuine commitment from the government, look just as nonsensical. The lesson of the ERM is that keeping a currency within artificial bounds takes enormous political willpower - and even that is no guarantee of success. Much more likely is a compromise

concentrating on economies rather than currencies converging. In theory at least, if "in" and "out" economies are subject to similar disciplines, their

currencies should not diverge much. Of course, ERM enthusiasts are unlikely to be overimpressed by this argument: EU convergence criteris may not be strictly observed; and even if they were, currencies are often reluctant to behave quite as economic theory thinks they should. So in practice, such targets would not save cur-rencies from devaluation. But such an approach would still have two great advantages over a reconstituted ERM. For a start it is not obviously unworkable. And just as important, it is much more likely to serve, rather than threaten, the interests of the economies concerned.

Jefferson Smurfit

After a year of admirable restraint the world's paper companies are beck to their bad old habits. American manufacturers have been increasing capacity et twice the rate of economic growth and are flooding Europe with cheap imports. Subdued demand and a 50 per cent drop in the pulp price which has dragged down prices for most paper grades in its wake – have turned a period of temporary destocking into something more serious: Jefferson Smurfit estimates that to clear excess stocks out of the system almost all the world's paper mills would need to shut for a month. That is clearly not going to happen, so investors have little choice but to brace themselves for two tough years. International Paper, the world number one, has just reported a 50 per cent decline in first-quarter profits and analysts estimate that earnings at Smurfit, which more than tripled during 1995, will fall by 40 per cent this year and be flat at best in

Longer term, Smurfit looks better placed than most, due to its global spread and highly integrated operations which make it less vulnerable to the gyrations of the pulp price. The group also has a good record on acquisitions, proving that in many instances it is cheaper to buy capacity than to build it. However, the speed of this latest downturn has caught evan Smurfit off-guard. With nearly £600m of borrowings left over from its last takeover spree, the group's ability to buy weaker rivals at the bottom of this cycle is limited. This could delay much needed consolidation in the

Additional Lex comment on Granada,

Mitsubishi faces sexual harassment suit

Continued from Page 1

even lead to moves to boycott its vehicles.

come at a difficult time for Mitsu-

bishi Motors, which has not been profitable in the US, according to

Mitsubishi's Illinois plant, which sells about half its vehicles and a large number of engines to Chrysler, risks losing its main customer by the end of the decade. Chrysler, which used to be Mitsubishl's partner in the Illinois joint venture, has indicated it will not extend its purchases after their contract expires in

FT WEATHER GUIDE

ween subway and hus travellers off the metal tokens used to pay for rides has largely fizzled ont.

The Greenalls Group plc

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Guaranteed Senior Unsecured Notes due 2006

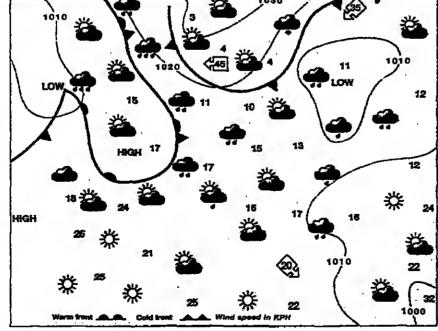
> Arranged and placed by NatWest Markets

NWM NATWEST MARKETS

Europe today A disturbance will approach the British Isles

conditions and a lot of rain. Ahead of this system, it will be dry with sunny periods. Eastern Scotland, the Benelux and northeastern France will be overcast with occasional rain or drizzle. Most of Scandinavia and southern and eastern Spair will be sunny. Italy will also have sun but scattered showers will develop. Southeastern Europe and western and norther coastal regions of the Black Sea will continue cloudy with showers. Turkey will remain predominantly dry and rather sunny. Afternoon temperatures in south-eas Europe will be higher than recently but still

Five-day forecast The north-west of the continent will remain overcast and rainy until the weekend. The UK will continue unsettled. Early next week the Benefux and France will be sunny as drier conditions arrive. Spain will continue calm and partly sunny. Various low pressure areas will cross France towards Italy and southsestem Europe resulting in alternating overcast and rainy periods.



TODAY'S TEMPERATURES Caracas Cardiff Cassblar Chicago Cologne Datar Datas Datas Dubas Dubas Dubas Dubas

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FINANCIAL TIMES

COMPANIES & MARKETS

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Thursday April 11 1996



IN BRIEF

BASF and Du Pont in Asian venture

BASF of Germany and Du Pont of the US, two of the world's leading nylon manufacturers, have agreed a \$750m joint venture in Asia to manufacture 8 per cent of the world output of nylon raw

Geotek and RWE plan radio merger Geotek Communications, a fast-developing US telecoms company, and RWE Telliance, part of the German RWE industrial group, plan to merge their public access radio interests in Germany. Page 12

Bank of Tokyo-Mitsubishi helps unit
Bank of Tokyo-Mitsubishi, the world's largest bank,
to provide further financial relief of up to Y44bn
(\$407m) to its troubled trust banking subsidiary,
Nippon Trust Bank, to cover write-offs of bad loans.

Serfin seeks capital injection for bank Grupo Serfin, Mexico's third-largest financial group. is understood to be looking for a foreign partner to help recapitalise its troubled bank. Serfin is hoping to raise \$500m by the middle of the year. Page 14

Warning brings cut in Smurfit forecasts Analysts cut 1996 and 1997 profits forecasts for Jefferson Smurfit after the Irish group warned the cur-rent downturn in the market could extend into 1997. The group reported record results for 1995, with pretax profits rising to I£420m (\$662m), up from I£119m before exceptional items in 1994. Page 15

Liffe to begin euroyen trading Trading is to begin today at the London International Financial Futures and Options Exchange (Liffe) of the euroyen, the yen short-term interest rate future and the second most popular money market futures contract in the world, Page 18

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BET	15	Renk	1
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413 7714

FT Gold Mines Index

Rises				Cub contrary 2	110	•	
BASE	430	+	13.5	Elf Aquitaine	370	+	13.9
BMW	820	+	21.5	Lycon des Essex	477	+	13.5
MAN Pref	314		9.5	Falls			
Parishe	859	+	35	GTM-Entrepose	336	-	10.2
's mathech Lub	240	+	12.5	Worms Cie	372	-	12.9
Thymnan	278.9	+	8.4	TOKYO (Yen)			
HEW YORK				Ricos			
River	-,			Godo Shusei	852	+	46
Diaga Corp	35		314	Muzda Motor	472	+	23
LSI Logic	324	+	21/4	Mercian Corp	962	+	41
Motorole.	55%		414	Falls			
Waterhoese	38!4		31.	Ando Comula	593	-	30
Falls				Dalehowa Paper	957	-	53
Toro	31%	_	11/2	Teknoka Elec	680	-	31
Vesta leste	29%		146	HONG KONG			
LONDON (Pe	ncel			Rises			
Rises				FPB Brok	2.67	5	
Beautico	408	+	26			+	0.15
Cortacs	310	+	23	Fortel	0.54		0.17
Micro Focus	733		46	Oxford PropSFn	16.4		1.3
Sentry Farming	218	+	44	Pence HM	2.85	+	0.2
Polls				Palls		_	
Arrices Mino	213	_	14 .	CP Polystand	3.57	5	
Toy Octions	99	_	8			-	0.225
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Rices				Meico inti	2.3	-	0.15 ·
Allelix Bio	21%		130	BANCKOK (B			
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Transat AT	10	-	44	Siers Com Life	27	-	3
PARIS (FFT)				Linkertiste	32	-	3
Rises			124	White Group	30.25	_	25
Boegnein	2804	*	144	Man graph			

Suez on course for return to profit

included operating losses of FFF2.7bn, against FFF3.6bn, before additional restructuring

provisions announced in the first

half of a further FFr2bn, against FFr805m. These were partly off-

Investment

portfolio

turnround

lifts AMP

A sharp turnround in the value

of its investment portfolio helped

the AMP Society, Australia's largest life office and owner of

the Pearl insurance company in

the UK, to post an after-tax profit

of A\$1.95bn (US\$1.5bn) for 1995. This compares with just A\$506m

The consolidated group's total

income rose almost threefold. from A\$6.08bn to A\$17.9bn. But

this was largely due to a A\$12bn-plus turnround in the value of investment assets. In 1994, the

AMP wrote down its investment

assets by A\$5,12hn, while last

year it enjoyed a A\$6.85bn appre-

Australian insurance compa-

nies are required to take changes to the value of their investment portfolios into the profit and loss

account - an accounting treat-ment which adds considerable

volatility to reported results.

Net investment income was also sharply higher, at A\$4.15bn,

compared with A\$3.48bn, but total premium income fell, from

The AMP said the latter trend

reflected a 13 per cent decline in

single premiums. Sales in the UK

Total expenses rose from

A\$2.17bn to A\$2.38bn. However,

the 1995 figure included a A\$203m

item in cover revamping Pearl's

operations - only part of which

has been spent so far. Assets

under management rose 17 per

In spite of the fall in premium

income, the AMP aaid it was

pleased with the general outcome

taking particular comfort from

a fall in policy surrenders from

A\$3.94bn in 1994 to A\$2.48bn last

year. It said its Australian mar-

ket share in traditional products

The group also revealed that it

had made moves towards seeking

a banking licence in Australia.

Mr George Trumbull, the AMP's

managing director, sald the

the Reserve Bank, the central

monetary authority, and the for-

While the AMP had not applied

for a banking licence, he said it

would pursue the possibility if the new conservative coalition

government made "changes that

are advantageous to the banks but disadvantageous to us" As in other countries, the

demarcation lines between insurance companies and banks have become blurred in Australia In the course of the recent elec

tion campaign, the coalition gov-

ernment indicated it would allow

tha banks into the rapidly

expanding superannuation mar-

ket, permitting them to run

"retirement savings accounts" as

an alternative to superannuation

funds for small superannuation

By contrast, Mr Trumbull

remained silent about the prog-

ress of AMP's internal review of

the group's corporate structure

and the possibility of demutualis

ing - turning into a conventional

sions with

group had held discus

mer Labor government.

had improved.

28,27

cent to a record A\$86.4bn.

A\$7.57bn to A\$6.75bn.

were "very depressed".

By Nikki Tait in Sydney

in the previous year.

group's former chairman.

is the real year of the redress-

(\$3.8bn). As the criminal suit shows,

shareholders are reeling from

Daimler's pursuit of the "inte-

grated technology concern" that

it so desperately wanted to be until recently. With the appoint-

ment of Mr Jürgen Schrempp as chairman in May, the company set out to transform its busi-

nesses and its culture, and to

improve its once cavalier attitude

Sharaholders must now be

wondering whether the promised

changes are for real. The Indica-

tions from Mr Schrempp are that

he is ready to risk change and

Action taken over the last 11

a brutal cost-cutting pro-

gramme at Daimler-Benz Aero-

space (Dasa), where an increas-

ing degree of production is in be

• the dismantlement of AEG.

the percetually unprofitable

the decision to withdraw

financial backing for Fokker,

Dasa's Dutch regional aircraft

subsidiary.

More change is on the way

Dornier, Dasa'a German producer

of regional aircraft, will probably

have to go, unless Daimler finds

a partner, according to Mr Eck-

ard Cordes, the latest appointee

to Daimler's management board,

MTU, the aero-engine maker, is

not expected to survive in its cur-

rent form after co-operation talks

with BMW-Rolls Royce came to

nothing. Daimler is also pushing

to turn Airhus into a genuine commercial operation, free from

the constraints of costly work-

share agreements. Attempts to

turn Airbus into a commercial

company were resisted by Aéros

patiale, the French partner in the

Another problem is the Euro-

relocated outsida Germany;

towards investors.

months includes:

industrial group;

ment of Suez and a return to profits," he said.

Ha said 70 per cent of the group's "doubtful" property com-

In spite of rumours about the

emphasised that it was an integral part of the group and highlighted efforts to restructure it, including a FFr1bn capital injection, the appointment of new management and a fresh strategy, unveiled earlier this year. to refocus the arm as an investment

Indosuez reported losses of FFr415m for the year, compared with losses of FFr1.1bn in 1994. There was a profit of FF1758m, down from FF1980m, from Societé Gènèrale de Belgique, the Belgium-based holding company

Mr Mestrallet said the action plan be announced to sharehold ers after his appointment last July was well under way, with non-core assets sold, restructuring of other investments taking place, and the number of staff in the holding company halved.

The results do not include capi-

tal gains of FFr1.3bn on the sale earlier this year of Gartmore, the UK-based fund management arm controlled by Suez, to National

favourite bogeyman. The most notable change taken

during the Reuter days was the decision to seek listing on the New York Stock Exchange and to

When Daimler adopted US

from their shareholders. With hindsight, the move proved to

have been one the most instru-

mental changes that has taken

place at the company.

Blockbuster in talks on European acquisitions

By Alice Rawsthom in London

Blockbuster Video, the chain of rideo rental and retail stores wned by Viacom, the US entertainment group, is in acquisition talks to accelerate its European

Mr Nigel Travis, senior vice-president of Blockbuster in Europe, said he aimed to expand from the present 760 outlets to about 2,000 across the continent

Part of this expansion will be effected by opening new stores, but Mr Travis confirmed that Blockbuster was in "discussions" with European companies concerning acquisitloos.

The expansion in Europe comes at a time when the company's 3,000 outlets in the US market face fierce competitioo from



Mel Gibson's 'Braveheart' helped

discount store groups, notably the Wal-Mart chain. Wal-Mart has become the leader in US video sales. although Blockbuster is still

executive of Blockbuster. Expansion in the less competi-

and 21 units in Spain. It recently diversified into Germany and Italy, and plans this year to establish a presence in Portugal. Mr Travis said he hoped to have at least 200 stores in markets including Spain, Italy and Germany, and to expand into other European countries as well

Sales of videos are still increasing in Europe and the rental sector, having contracted for the past four years, returned to modest growth last year. Blockbuster's UK stores last

nt even though the pro-Bcess of change hegan before Mr Schrempp's

appointment, the pace of change has accelerated. The 35 business units have been pruned to 25, each operating under a target of 12 per cent return on capital employed, and the need to provide a strategic fit with the rest of the group. The definition of strategic fit has narrowed. Daimler no longer sees itself as an "integrated technology concern" but as a transportation group.

The company now assures its investors that if the two goals profit target and strategic fit were in conflict, profits would take priority over strategic fit. In the meantime, the company will be taking a hard look at its own internal structures, although company officials persistently deny rumours that Daimler is abont to tear itself apart. Mr Reuter introduced the current structure in the late 1980s, when Daimler became a holding company, with four independent divisions: Mercedes, Dasa, AEG and Debis, a financial service unit. But AEG is gone and Dasa is shrinking, so that the question is bound to arise whether it makes sense to have separate managements for Daimler and Mercedes-

Such a dramatic move ia unlikely to happen this year, although in the long run a far-reaching overhaul is conceivable, according to one senior manager. Whatever happens, Daimler is unlikely to become a



set a UK video rentals record

number one in rentals. Viacom recently appointed Mr William Fields, executive vice-president of Wal-Mart responsible for its cut-price video sales, as chief

tive European market forms part of Blockhuster's efforts to improve its financial performance. The company has had a European presence since 1989 when it opened stores in the UK and Spain. It now has 690 stores in the UK

as into the Middle East.

week rented a record 1m videos, belped by demand for the Oscarwinning Braveheort, which it rented at £3.50, against £2.99 for

set hy capital gains from the sale

By Andrew Jack in Paris

Suez, the French flagship industrial and financial holding group, yesterday said it was on course for a return to profitability this year after reporting losses of FFr4bn (\$780m) for 1995. The results - compared with losses of FFr4.8bn in 1994 -

of assets. Yesterday's results are the first annual figures to be produced since a revolt by leading share-

holders at last summer's annual general meeting which led to the ousting of Mr Gerard Worms, the

Mr Gérard Mestrallet, his replacement, said he was main-taining the dividend with the support of his board. He aimed to generate a 10 per cent return on capital in the medium term. "1996

mitments were now provisioned. up from 49 per cent at the end of 1994, and he maintained his com-

mitment to have disposed of property activities by 2001.

Mr Mestrallet did not rule out the possibility of additional pro-visions if the property market continued to deteriorate.

sale of Indosuez, the group'a banking arm, Mr Mestrallet

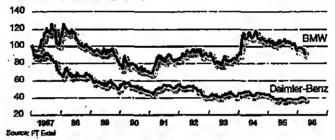
bank in Europe and Asia.

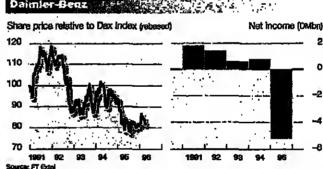
Concept of shareholder value kicks in at German industrial group Daimler runs into inated under Mr Edzard Reuter, the previous chairman, a man once hailed as a visionary who has aince become everybody's

t is an irony of fate that public prosecutors have started an investigation into the conduct of Daimler-Benz's top execudiversion on the tives just when the company is trying to mend its ways. The investigation follows a suit filed by a shareholders' associa-



Share prices Relative to the Dax Index rebases





pean truck division of Mercedes-Benz, whose trucks have fallen hehind those of its competitors. although this may change when the company introduces new trucks at the end of this yes response to criticisms that the company has paid scant regard to shareholders, Daimler will be introducing a share options scheme for 170 top executives. The idea is to give managers an incentive to perform, and to ensure that their personal finan-

cial interests coincide with those of their shareholders. Mr Cordes, a close ally of Mr Schrempp, says: "In the past Daimler-Benz suffered from a lack of profit-orientation ... Of

course, we asked ourselves whether we could afford to launch a system like this in a year when we made DM6bn in The company expected opposi tion from its workforce, but the works council proved surprisingly co-operative. Opposition

came from trade union representatives on the supervisory board, who feared that managers may look too closely to the share

The ensuing internal debate has shown that the concept of shareholder value is beginning to shift from an abstract notion to a concrete reality. But some aspects of the new approach orig-

normal company for some time. Wolfgang Münchau other new releases.

Astra chief criticises wave of drugs mergers

Mr Hakan Mogren, chief axecutive of the fast growing Swedish pharmaceutical group Astra, yesterday criticised the wave of mergers in the industry and said Astra saw no benefits for itself in such a move. "Looked at from the outside, 1

cannot understand why some of these mergers have been done, Mr Mogren said. "You get the impression they might be two companies without high growth rates and with cost problems.

You mix old problems with new problems and get drowned," he said in an interview. Consolidation in the pharma-

ceutical industry in the past two years has included last month's merger of Switzerland's Sandoz and Ciba to form Novartis; the merger of Sweden's Pharmacia with Upjohn of the US; and the £9.1bn (\$13.8bn) acquisition last year of the UK company Wellcome by its rival Glazo.

Such deals have prompted speculation that medium-sized groups such as Astra, best known

anti-ulcer drug, Losec, will be caught up in the restructuring. But Mr Mogren said overall was not the key factor. "The total ranking (in the global industry] is not as important as reaching critical mass and having a

leading position in the segments

of the market you are in." He stressed Astra's recent growth record - in which group sales have grown at least twice as fast as overall market growth meant it would risk becoming distracted if it became involved

was to combine organic growth with specific deals, such as its £200m purchase last year of the research and development operations of Fisons of the UK. "If you are growing at a very high speed, you cannot do merg-

Astra's most-traded A share suffered a sharp fall yesterday, tumbling SKr12.00 to close at SKr294.50 as investors shunned non-cyclical stocks and reacted nervously to news of marginal

time," Mr Mogren said.

ers and acquisitions at the same

Losec capsules in Sweden. Astra's profits growth is set to

be slowed this year by the stronger Swedish krona. Investors have also shown concern about possible competition to Losec, which accounted for more than 40 per cent of the group's SKr36bn (\$5.4bn) sales in 1995.

But Mr Mogren was bullish about Astra's growth prospects in 1995, profits rose 25 per cent to SKr12bn on sales up 19 per cent, driven by an increase of more than 20 per cent in Losec sales.

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COMPANIES AND FINANCE: EUROPE

To the state of th

BASF in \$750m RWE plans mobile radio merger Asian venture with Du Pont

BASF of Germany and Du Pont of the US, two of the world's leading nylon manufacturers. have agreed a \$750m joint venture in Asia to manufacture 6 per cent of the world output

of oylon raw materials.
The companies intend to site the plant in China, However, they had postponed a final decision on location following China's imposition of a 40 per cent tax on machinery imports, said Mr Max Dietrich Kley. BASF's finance director.

They would not be willing to build the plant in China if this tax was adhered to, said Mr Kley. But he hoped it would be possible to negotiate more favourable terms ~ especially since the plant was at the front edge of technology, and China was keen to promote hightechnology investments.

Mr Eduard VanWely, general manager of Du Pont's nylon business, said the new plant would be the most competitive in the world. By combining the nylon technologies of both BASF and Du Pont, it would change "the competitive landscape for nylon for the next quarter century", he said.

Construction will hegin in 1998, for completion by 2001. The plant will manufacture 350,000 tonnes a year of adiponitrile. Both BASF and Du pont use adiponitrile as a raw material, although they specialise in different nylons,

BASF claims to be a market leader in nylon 6, and Du pont in nylon 66, but neither company is willing to reveal its market share,

Both nylons are used to make fabrics, carpets and plastics, but they melt st different temperatures, affecting their usefulness for dyeing or high specification plastics. On a world-wide hasis, the nylon market is growing slowly, but in Asla demand for adiponitrile is rising by 80,000 tonnes a year, equivalent to 2 per cent of current world output.

This growth has been most marked in China, where the country's textiles and clothing industry has been switching to synthetic fibres following the

BALANCE SHEET

Cash and balances with Saudi Arabian Monetary Agency

LIABILITIES & SHAREHOLDERS' EQUITY

STATEMENT OF INCOME (ABBREVIATED)

Total Net Income for the year ended December 31, 1995

ASSETS

Due from banks

Trading securities

Fixed assets, net

Other real estate

I LARII TTIES

Other liabilities

Total Liobilities

Share capital

Other reserves

Statutory reserve

Retained carning

SHAREHOLDERS' EQUITY

Total Shareholders' Equity

CONTRA ACCOUNTS

Less: operating expenses

Other income (expenses)

Net Income from Operations

Total Liabilioes and Shoreholders' Equity

Customer deposits

Loans and advances, net

Investment securities, net



Max Dietrich Kley: plant at

failure of successive cotton

crops, as a result of bollworm

Last year, synthetic fibre

output in China rose by 21.6

per cent, while imports

Cotton production is now

recovering, but BASF did not

expect this to curb growth in

the Chinese nylon market, Mr Kley said. With land at a pre-

mium, "the scope for cotton is limited by people's need to use

their land for agriculture and

Chemical companies have

accounted for a large share of

the inwards investment into

China, with Du Pont among

the west's vanguard investors.

BASF has been something of a

latecomer, but has recently

more than doubled its Chinese

Ten days ago, the German

chemicals company unveiled a DM3.5bn (\$2.35bn) investment

in a petrochemicals complex in

Nanjing. It is also building s

vitamin E plant, and promising

a DM1bn investment in the

raw msterials for polyure-

thane. Overall, the company is

new capacity in Asia over the

31% Increase in Net Income

RIYAD BANK SAUDI JOINT STOCK COMPANY

FINANCIAL HIGHLIGHTS

(AUDITED)

investment programme.

increased by \$6 per cent.

infestation.

food".

the front edge of technology

Geotek Communications, a fast-developing New Jerseybased telecoms company, and RWE Telliance, part of the German RWE industrial group. plan to merge their public eccess radio interests in Germany. A deal would create the country's second-largest net-

Public access mobile radio networks are used by businesses such as taxi and delivery services which need radio communications between

vehicles and despatch points.
The combined network, owned equally by the two partners, will service about 30,000 business subscribers and will

cover most of Germany. RWE Telliance is s whollyowned unit of RWE, one of Germany's largest industrial groups which is based in Essen, North Rhine-West-

The networks to be merged under the agreement are Regionet, owned by Geotek, and Terrafon Bundelfunk, owned by RWE Telliance. The intention is to create s digital network offering an integrated service including telephony and despatch, messaging and mobile data applications.

Geotek has overseas interests in Germany and in the UK, as well as Spain. Portugal and eastern Europe. Mr Yaron Eitan, Geotek pres-

ident and chief executive. noted in the company's annual report that: "It is our intention, when possible, to capitalise on our digital private radio technology in penetrating and upgrading new markets."

vehicle fleets and similar customers are seen as a fast-growing niche market with substantial potential.

Geotek claims to have developed a technology which enables it to cover large areas comparatively inexpensively using fewer radio cells than other operators.

A definitive agreement is expected by the summer and the merged company expects to begin offering digital services in the second half

Bötsch tries to keep lines uncrossed

Liberalising Germany's telecoms market is proving problematic

r Wolfgang Bötsch. Germany's minister for post and telecommunications, is too much the ehullient Bavarian to feel paranoia. That does not mean, however, that people are not getting at him

He is swiftly coming to terms with the complexities of reconciling the powerful, conflicting interests that stand in the way of freeing-up the German telecoms market. Europe's largest, hy January 1 1998, in line with European Union rules.

The liberalisation process, however, is fraught with prob-

One such difficulty involves a series of broad-ranging price cuts agreed in February 1994 with Mr Helmut Ricke, then chief executive of Deutsche Telekom. The last of these demands that the operator cut its prices by 8 per cent minus the rate of inflation on January 1 1998.

Last week, however, Mr Ron Sommer. Mr Ricke's successor, made clear he felt the cuts were still open for negotiation. The German monopoly opera-tor, which is due for partial privatisation in November this year in one of the world's largest flotations, has the backing of Mr Theo Waigel, the finance minister, who is keen to ensure the flotation is successful.

Then Mr Bötsch has by July to push through the Bundestag, or lower house of parliament, a complex law regula-ting the newly liberalised set to invest nearly DM8bn in To do so, he must outflank

the opposition Social Demo-

(S.R. '000)

31/12/95

1,373,057

1,401.982

54,185,720

30,589,667

14,201,816

2,260,634

47.052,117

4 000 000

2,537,000

400,000

196,603

7.133,603

54,185,720

92,716,809

3,526,151

(2,814,398)

711,753

51.838

763,591

crats. They have unexpectedly come up with plans to create a far higger regulatory authority than was agreed in negotiations with the government last November 1 Germany's 18 Lander, or states, which sit in the upper

house, or Bundesrat, are heginning to demand more influence over the future regulatory authority. On top of all this, Mr Bötsch faces the prospect of a legal challenge in the constitutional

court from hundreds of Germany's municipalities demanding that Deutsche Telekom and its rivals pay to transport their services across cables, which in Germany are owned hy the councils. in a recent Bundesrat vote, a majority of states backed the

demands of the municipalities to be able to charge for the carriage of telecoms services. Mr Bötsch is unimpressed:

"One Land with six votes would bave tipped it against the charges," he says scornfully. "If North Rhine-Westphalia or Saxony had voted the way Bavaria had voted, then the motion would have been thrown ont." There are, however, more

substantial opponents. A group of Germany's largest compa-nies including RWE, Thyssen, Viag and Mannesmann, all with fledgling telecoms interests, are in conflict with the minister after he allowed Deutsche Telekom to offer corporate clients an extensive programme of discounts on their telecoms services.

(S.R. '0001

31/12/94

1,544,016

1.609.008

53.895,317

28.613.671

16.195,615

2.093.019

46,902,305

4.000,000

2,346,000

400,000

247,012

6.993,012

53.895.317

98.149.306

2.616.231

(2.165,211)

451.020

130,775

581,795



Wolfgang Bötsch: minister unmoved by rising tide of difficulties

The companies, grouped in an association called VTM, are complaining to the European Commission that if Deutsche Telekom is permitted to award discounts of up to 39 per cent, their own telecoms efforts will

be in jeopardy. This row has given glimpses of the unusually bad atmosphere developing between the ministry, Deutsche Telekom and the would-be private operetors. Such a confrontational mood is unlikely to help preparations for Deutsche Telekom's listing in November.

"I expected it to be cleaner than this," says Mr Peter Mihatsch, head of Mannesmann's telecoms activities. "It has reached s point where it is unacceptable. It's gone too

Mr Bötsch seems unmoved by the rising tide of difficulties. He says that, given Germany's federal traditions, he accepts that the Länder should have a say on regulation. He refuses, however, to contemplate an unwieldy regulatory body with 16 different voices demanding to be heard

"In principle It is right that the Länder want to have a participation in the regulstory questions, but we have to nego-tiate how this can work," he

Meanwhile, Mr Bötsch's civil servants insist that Mr Sommer at Deutsche Telekom is mistaken in believing he can renegotiate the tariffs agreed with his predecessor in 1994. If necessary, the ministry has indicated, the tariff changes will be introduced not

market is fully liberalised. As for the VTM, Mr Botsch points out that it and other lobby groups do not have a formal right to be consulted on questions such as the controversial Deutsche Telekom discounts. In practice, however, he insists that the private operators have been given opportu-nitles to air their views and their concerns have been taken

he ministry, meanwhile, is doing everything it can to ensure the new telecoms law is passed by July so that both Deutsche Telekom and its competitors have a proper idea of what competition will look like after 1998.

Verordnungen, or directives. are now being drawn up based on criteria set by the European Commission, which will define how interconnection charges the prices operators charge each other for reciprocal use of their networks - are set.

By July, the ministry should have published model licences giving details of reliability, technical know-how, and other criteria which every operator that wants to compete in Germany's liberalised telecoms

market will have to meet. It is a tough programme, but Mr Bhtsch seems confident that the schedule will be met and the results will be beneficial for the national operator. "If Deutsche Telekom can resist competition within Germany, then it can make compe-tition outside Germany," he

Michael Lindemann and Alan Cane

18,497,756 16,197,837 323,084 2.192,250 on January 1 1998, as originally planned, hut on December 31 17.093.634 19,099,220 1997 - one day hefore the 14,135,797 11.984.760 936,105 859,224 Svedala launches 424,305 409,002

By Greg McIvor in Stockholm

Svedala Industri, the Swedish mining and construction equipment manufacturer, yesterday launched a SKr1.83hn (\$276m) takeover bid for Tampella Corporation, a Finnish engineering group in which Norway's Kvaerner, the shipping and engineering group, is the biggest shareholder.

Svedala said it was offering one new Svedala sbare for every 16 Tampella shares. equivalent to a 38 per cent premium on Tampella's pre-bid share price. Kvaerner signalled it was

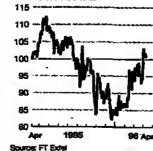
interested in the Svedala offer, which follows the Norwegian company's £904m (\$1.4bn) acquisition of Trafalgar House, the UK construction and engineering conglomerate. It said yesterday it was doubtful whether Tampella's existing operations would form part of its core businesses after the Trafalgar House purchase.

Kvaerner bought its 26 per cent stake in Tampella in February as part of its \$26.6m purchase of the Finnish group's loss-making chemical recovery system supplier, Tampella Power. It paid \$58.9m for the stake in the parent company and stands to make a capital gain of shout \$12m from the Svedala offer.

Mr Thomas Older, Svedala chief executive, said: "Everyone can see the logic in this transaction. It is an excellent industrial fit." The merger would give Svedala, which earned pre-tax profits last year

bid for Tampella

Share price relative to the Affarsvariden General



of SKr736m on sales of SKrllbn, a presence in 40 countries with 14,000 employees, and provide growth opportunities in Asia, Africa and South America, he added.

However, some Svedala investors were unenthusiastic and its shares dropped SKr10 to SKr210. Tampella's stock jumped 26 per cent, closing at FM8.70 from FM6.90.

Tampella made no comment on the bid. It comprises three divisions. Tamrock, a mining equipment manufscturer; Detec International, a hydraulics supplier, and Roxon, a bulk materials-handling company. Excluding Tampella Power, the group last year recorded pre-tax profits of FM74m (\$15.9m), on net sales of FM3.37bn. Svedala, which is being advised by Merrill Lynch International, said it would publish a prospectus on May 20 and set the deadline for acceptance as June 10.

NEWS DIGEST

Sulzer sees profits rebound this year

Sulzer, the Swiss engineering and medical technology group, said yesterday it expected 1996 net profit to rebound from last year's SFr92m to around 1994 levels of SFr195m (\$162m). The company said higher order levels "promise a substantial rise in income" in 1995. Orders rose by 3 per cent last year to SFr5.7bn, in spite of the strong Swiss franc, and were 4 per cent up to SFr1.5bn between the first quarters of 1996 and 1996 The group recorded sales of SFr5.7bn in 1995, a rise of 2 per cent on the previous year, but operating income sank to

SFr173m, from SFr289m in 1994. Sulzer blamed an "accumulation of extraordinary circumstances" for the poor 1995 results. These included provisions of more than SFr50m for higher restructuring costs. patent infringement suit in the US, and individual bud debt

Profits were further dampened by currency translation effects, put at more than SFr70m, a depressed construction market and "an unexpected decline" in the weaving machinery market. The company said its Sulzer Roteq (pumps and compressors) and Sulzer Winterthur (engineering) units performed well last year and expected good results for 1996. Sulzermedica also expects better results after being hit last year by restructuring costs, negative currency effects, and provision for an adverse US ruling on a hip-joint patent which the company is appealing.

Sulzer Ruti, the world leader in weaving machinery, and Sulzer Infra, the group's building technology arm. expect reduced losses this year following restructuring and Frances Williams. Geneva cost-cutting measures.

VA Stahl expects slip

VA Stahl, the Austrian steel company, yesterday predicted slightly lower earnings and sales for this year after a record performance in 1995. The company, which was privatised last year, reported a five-fold increase in group net income from Sch645m to Sch3.01bn (\$287m) because of strong demand for quality steel products.

Sales climbed 13 per cent from Sch29.86bn to Sch33.80bn, and pre-tax operating profit more than doubled from Sch1.19bn to Sch3.04bn. All divisions posted higher revenue, and overall raw steel output advanced 5 per cent from 3.97m tonnes to 4.55m tonnes. The company kept its workforce roughly steady and increased revenue-per-employee by 14 per cent.

VA Stahl attributed its performance to strong demand for its high-quality steel products. A slowdown in economic growth in western Europe would depress earnings this year, but long-term contracts, good business with long steel products and further growth in eastern and central Europe should have stabilising effect on the performance, the company said. VA Stahl is the core of Austria's former nationalised industries, which suffered heavy losses in the 1930s and early 1990s. OIAG, the state holding company, still holds 39 per cent of the

Sydkraft stake for Norwegians

The Swedish city of Malmo has sold shares representing 7 per cent of the votes and 4.4 per cent of the capital in Sydkraft, the power producer, to Statkraft of Norway. This is the latest in a series of cross-border rationalisation moves within the Nordic power industry, triggered by deregulation in the region's

Malmo said that the Swedish municipalities of Oskarshamn and Landskrona had sold further shares totalling 1.1 per cent of the votes and 0.6 per cent of the capital in Sydkraft to the Norwegian concern. The shares have been sold at a price of SKr140.50 each, bringing the total value of the transactions to SKr1.35bn (\$201m).

After the sale, the Norwegian state-owned Statkraft will hold 8.1 per cent of the votes and 5.1 per cent of the capital in Sydkraft, Mr Lars Thulin, Statkraft president, said his company intended "to participate in the development of the electricity industry in the expanding Nordic market and regards the investment in Sydkraft as a long-term industrial

Thyssen unit buys Saurer arm

Saurer, the Swiss textile machinery and components maker, has sold SMB North America, a wholly-owned subsidiary in Selma, North Carolina, to Thyssen Umformtechnik, a unit of Germany's Thyssen Industrie. SMB has an impression die forging plant built in 1992 which produces mainly steel piston crowns and wheel hubs for the motor industry. In 1995 it employed 120 workers and had revenues of about \$12m.

Saurer said it was divesting SMB as part of its efforts to concentrate on its core businesses, encompassing textile machinery, transmission systems and surface metallurgy.

Reuter, Arbon, Switzerland

Crossair predicts advance

Crossair, the regional airline subsidiary of Swissair, expects a significant rise in 1996 profit due to higher sales volume and better efficiency. "We expect a significant rise in profits in 1996 due to larger business volume and improved efficiency." Crossair said in its 1995 annual report.

The carrier said it expected to complete 128,000 flights with 4.15m passengers in 1996, an increase of 84 per cent from last year. It is currently undergoing its largest expansion programme, and hy August this year 16 new aircraft will be added to its fleet.

But Crossair added that it was giving priority to retaining a competitive cost structure because competition between airlines was expected to remain intense and flight revenue would remain under pressure from the strong Swiss franc.

Shake-up at EVC

EVC, Europe's largest PVC producer, is overhauling its organisation to help it to achieve its earnings growth targets. "The purpose of the new structure is to extend EVC's leading position in the European PVC industry, reduce overheads by 25 per cent and [to] enable the board to focus on development

opportunities," EVC said.

The company, floated on the Amsterdam bourse in 1994, posted 1995 net profits of FI 163-9m (\$98.37m), almost double its 1994 pro forma net of FI 86.3m. EVC's strategy would, it said, continue to focus on concentrating its manufacturing assets at a minimum number of internationally competitive sites. No financial details were given. Reuter, Amsterdam

Gebrueder Maerz, the ailing German food group, said yesterday it would file for bankruptcy after its banks decided not to support s debt rescheduling. Maerz, a bolding company for food and beverage companies, said its subsidiaries were not affected by the decision and the bankruptcy filing would affect only nine of its 2,100 employees. Reuter, Rosenhei

PUTNAM EMERGING HEALTH SCIENCES TRUST

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We have the pleasure of inviting you to attend the Arnical General Meeting of shareholders, which will be held on April 16, 1996 at 03.00 p.m. at the registered office of State Street Bank Linxembourg S.A., 47, Boulevard Royal, L-2449 Linxembourg, with the following spenda: AGENDA

The shareholders are advised that no quorum for the times of the agends in required, and that the decisions will be taken at the majority unter of the shares present or represented at the Meeting. Each share is emitted to one vote. A shareholder may act at any Meeting by proxy.

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HOUSTON, TEXAS, TEL: (1713) 224 MIGLOR FAX (1713) 224 8072, LONDON, UK TEL: (44) 171 830 9000 OR FAX (44) 171 493 1668.

Miller of Page

AGENDA

Presentation of the reports of the Soard of Circctors and of the Auditor.

Approval of the balance sheet, profit and loss account as of December 31, 1995 and the allocation of the est profits.

Discharge to be granted to the Directors and to the Auditor for the tiscal year ended December 31, 1995.

Action on nomination for the election of Directors and an Auditor for the ensuing year.

Any other business which may be properly brought before the meeting.

Japanese PC makers, which have concentrated on propri-

etary PC standards for the

domestic market, have had dif-

ficulty building up market

Toshiba have successfully mar-

groups have not been competi-

market in 1987 and has manu-

factured locally all its PCs sold

there, sold 550,000 units last

year, of which 380,000 were

desktops. That gave NEC a 2.4

per cent market share, accord-

ing to the company.

Most of NEC's profits in the

US had came from notebook

PCs, said Mr Takashi Kuwahara general manager of the

international personal com-

puter product marketing

NEC has had particular diffi-

culty tapping the corporate

market. By outsourcing its desktop PC production, the company bopes to cut costs,

improve profitability and fur-ther expand its US PC

"The past 10 years were a

period for catching up but the next 10 years will be the time

for NEC to enter the top

NEC, which entered the US

keted notebook PCs. Japanese

tive in the desktop market

While companies such as

share in the US.

Uncertain

future for **Phoenix Bicycle**

Phoenix Bicycle, a Chinese icon, posted a 70 per cent drop in profit last year, raising doubts about its future.

The question for Phoenix it seems, is not whether it will rise, but whether China's largest bicycle manufacturer risks falling further. Shanghai brokers blame a

poor product mix, cut-throat competition in the local bicycle market, rising raw materials costs and a lingering credit squeeze for Phoenix's plunge in after-tax profits to Yn36.3m (\$4.35m). Turnover was also

Phoenix produced 5.4m bicycles in 1995, or almost 17 per cent of China's total produc-

Aperts slip

All Burs Sam A

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A glut in the domestic market and resistance to Chinese exports in international markets contributed to Phoenix's poor result. China's 300-odd bicycle makers produce 50m units annually for a home market capable of absorbing 30m. Bicycles in China, the main means of transport, number about 400m, which is one bicy cle for every three people. But rising car ownership, growing affluence and improved urban transport seem likely to shrink the market – especially for Phoenix's mass-produced

Reuters news agency quoted Phoenix as saying the company planned to increase exports this year to 35 per cent of output, from 25 per cent in 1995, cut production and sell off its 1995 inventory.

Phoenix was also negotiating a joint venture with a European motorcycle manufacturer to improve the quality of its scooters and mopeds. It sold 4,000 last year and hopes to increase sales to 20,000 this

But the company faces an uphill struggle in its efforts to restore its fortunes. It earned \$54.7m from exports in 1995 of 1.3m bicycles, but anti-dumping measures in the saturated US and European markets are proving a constraint.

Phoenix, whose shares are listed on the Shanghai stock exchange, is not the only publicly listed bicycle manufacturer facing difficulties. Forever Bicycle, China's other main brand, is also likely to report a profit slump.

China exports 13m-14m bicycles a year and, with spare parts, earns about \$700m.

COMPANIES AND FINANCE: ASIA-PACIFIC

Bank of Tokyo-Mitsubishi aids trust unit NEC ends desktop

Bank of Tokyo-Mitsubishi, the world's largest bank, is to provide further financial relief of ed trust banking subsidiary. Nippon Trust Bank. The funds are needed to cover write-offs the financial year just ended. The move, announced yester-day, marks another significant

healthiest among Japan's gen-erally weak banks.

A significant part of Nippon

been overseeing the steady thirds of their total lending of mercial bank. The reconstrucwrite-down of bad debts. In the year to the end of

end of last month. The latest Nippon Trust losses stem from specific write-offs of bad loans to the country's collapsed housing loan companies. These lenders were

government plan for the companies' liquidation, the creditor banks have been asked to abandon all their remaining claims on the companies. The write-offs at Nippon

the bank's non-performing loans are now provided for, or written off completely.

more than Y13,000hn thought tion of Nippon Trust means the to be unrecoverable. Under a new bank, which offers a virtually unrivalled range of financial services in domestic and international markets, is now one of only a handful of Japanese banks to be largely clear of their immediate non-performing loan problems.

Trust will mean that most of However, like most other leading lenders, it could still be

Massachusetts over the next three to six mooths. The factory will be closed. NEC will, however, continue to design and develop its PCs for the US market but will out-39% but warns of downturn to buy Ansett NZ aource the desktops. Produc-tioo of ootebook PCs, where Japanese companies are more competitive, would continue in

News Corporation, which has a 50 per cent stake in Ansett TNT's half-share in Ansett

New Zealand's Commerce Commission last week refused to sanction Air NZ's purchase of the TNT stake, saying it was not satisfied that the Air NZ-Ansett axis, which would result from the deal, would not acquire a dominant position in the country's aviation

Both Air NZ and News Corp immediately vowed to com-plete the deal, and yesterday Mr Ken Cowley, executive chairman of Ansett and News Corp's Australian chief, made a whistle-stop visit to Ansett New Zealand bases in Auckland, Wellington and Christ-

One staff member told the **New Zealand Press Association** that Mr Cowley said News Corp wanted a quick resolu-tion after the New Zealand Commerce Commission blocked the deal. News Corp was not prepared to let the issue drag on, as that was destabilising the airline and

News Corp, Mr Cowley said. was determined to overcome regulatory issues that had been holding up the deal, and was prepared to buy Ansett NZ outright if necessary. He reaf-firmed News Corp's long-term commitment to Ansett NZ and said closure or sale to some other party was not an option.

Mr Cowley declined to com-ment on discussions he had yesterday with Mr Jim Bolger, New Zealand prime minister. Air NZ said yesterday it was still examining its options

sion's ruling.

diversified Tuntex group,

Laura Tyson in Taipei. The company posted reveafter the Commerce Commis-

league," Mr Kuwabara said.

Tuntex Distinct slips

production in US

By Michiyo Nakamoto

market.

NEC, Japan's largest personal

computer manufacturer, is to

stop making desktop PCs in

the US, in a move that

highlights the difficulties Japa-

oese companies face io that

The company said the cost-

cutting move would involve

phasing out production of

deskton PCs at its facility in

The Japanese company has

yet to decide where to out-

source its desktops, although it

is going ahead this year with

trial sourcing of between about 250,000 and 300,000 desktops

from Packard Bell, the largest

US supplier of home computers, in which NEC has a 19.9

per cent atake, In February, NEC made a further \$283m

cash injection into Packard

Bell in exchange for non-voting

the US, NEC said.

preferred shares.

Tuntex Distinct, a leading T\$15.14bn in 1994. Pre-tax prof-Taiwanese chemical fibre maker, and flagship of the reported reduced earnings in 1995 because of weakness in the domestic economy, writes

nues of T\$15,77bn (US\$580m) last year compared with

its fell from T\$3.07bu a year earlier to T\$2,95bn. Tuntex, which is also one of

Taiwan's leading construction concerns, blamed the depressed earnings on the country's economic problems, particularly a depressed prop-erty market and construction

By Gerard Baker in Tokyo

up to Y44bn (\$407m) to its trouof bad loans at Nippon Trust in

step towards the clearance of problem loans from the consolidated balance sheet of Tokyo-Mitsubishi, already one of the

International.

Indonesia's largest carmaker,

said its unandited net profit

last year rose 39 per cent but

warned that earnings would

fall this year. The forecast fol-

lows the government's decision

to award tax and tariff conces-

sions to manufacture a

"national" car to a venture

involving President Suharto's

Speaking at an analysts'

meeting in Jakarta, Astra's

wandi, predicted net profit this year would fall from Rp370bn

last year to Rp350bn (\$150m) -

still ahead of 1994's Rp279bn.

Net profit was expected to

decline as gross margins on

cars were squeezed and Astra's

market share for cars fell from

55 per cent in 1995 to 50 per

Astra, which assembles and

distributes Toyota, Daihatsu,

Isuzu and Nissan cars in Indonesia, said 1995 sales rose

46 per cent, from Rp8.900bn in

1994 to Rp13,000bn. However,

this year sales are expected to

rise only slightly, to Rp13,560bn.

Ms Soewandi said gross mar-

gins on cars were expected to

fall about 20 per cent. "We don't expect to lower prices,

but we will give more incen-

tives to our dealers," she said.

"But sales will drop, so mar-

gins will be affected and profit-

ability of [the car] division will

ests in heavy equipment, elec-tronics, financial services and agribusiness, said its automo-

tive division contributed 42 per

cent to net profit last year. Financial services contributed

Eridania Béghin-Say

decline."

cent this year, she added.

finance director, Ms Rini Soe-

and AFX-Asia

youngest son.

Trust was acquired by Mitsubishi Bank in October 1994 in

what was largely a rescue operation. Nippon Trust, the weakest of the country's seven trust banks, had more than Y200bn m non-performing loans, or about 10 per cent of its total loan book, accumulated during the collapse of property prices over the last five years. Mitsu-bishi paid a similar sum for a controlling 68 per cent stake in

Astra International

Det FT Briet Asson

10 per cent while heavy indus-

try and agribusiness accounted

for 6 per cent each. The compa-

ny's telecommunications divi-

Total capital expenditure

this year will fall from

Rp2,600bn in 1995 to Rp1,400bn,

with the car division taking a

46 per cent share of the total

compared with last year's 51

Astra said its car sales last

month rose to 15,898 units from

9.454 in February, when a drop

was recorded because of severe flooding in the capital Jakarta

Meanwhile, total March car

sales in Indonesia were 27,916

units, up from 18,429 in

Astra International's share

price was hit at the end of Feb-

ruary when President Subarto

passed a decree exempting his

youngest son, Mr Hutomo Man-

complicated tariff regime on car components and sales tax

to develop what is being touted

christened the "Timor", is a

in the previous month.

sion booked a loss.

per cent

Share price reletive to the Jakarta Composite . Pre-tax profits (Rp bn)

March 1995, Nippon Trust reported a net loss of Y164bn as a result of such write-offs. and it will report another substantial loss for the year to tha

founded by the main commercial banks in the 1970s, but are bankrupt, with np to two-

tance arrangement with South

The move has angered Japa-

nese car manufacturers, which

dominate Indonesia's car mar-

ket. Many of them work in

joint-venture arrangements

with Astra International.

Korea's Kia Motors.

dogged by fresh problem loans at other affiliated financial Bank of Tokyo-Mitsubishi institutions, the scale of whose was formed on April 1 by the problems is only now beginmerger of Mitsubishi and Bank of Tokyo, another leading comning to emerge. Indonesian carmaker ahead | News Corp ready

By Terry Hall in Wellington

Airlines, is prepared to buy the Australian carrier's New Zealand snbsidiary in an attempt to overcome regulatory objections stalling Air New Zealand's plan to buy Australia.

The Euroyen Future from LIFFE and TIFFE.

The leading derivatives exchanges in Europe and Asia have linked up to offer global market users direct access to the world's most liquid Euroyen contract (open interest, 1.2 million lots) throughout

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Richard Yuan

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Fuji International Finance plc +44 171 826 3340 Andrew Bryan

GNI Limited +44 171 337 3746 Hugh Morshead

HSBC Fatures. a division of Midland Bank ple +44 171 336 3622 Tim Sweeting

IBJ International pic +44 171 236 1090 Oliver Godden

ING Derivatives (London) Limited Paul Bethell +44 171 390 2040

Nikko Europe Plc Takuji Takiyama +44 171 222 7748 Nomnra International plc

Patrick O'Brien +44 171 454 0492 Sanwa Futures L.L.C. +44 171 330 0350 Graham J. Farrow

Tullett & Tokyo (Fntures and Traded Options) Ltd John Paul Miller +44 171 827 2401

Yamaichi International (Enrope) Ltd Greg Holley +44 171 638 7007

Stable operating results despite adverse foreign exchange impact Net income rises by 26.3% The Board of Directors of Eridania Béghin-Say met on April 3rd 1996 under the Chairmanship of Mr. Stefano Meloni. Consolidated accounts for the full year ended 31st December 1995 were reviewed and approved. The essential consolidated figures are the following:

: 1993	1994	1995	△ 95/94%
50,907 4,040 2,800 1,344 16,582	50,786 3,972 2,896 1,208 18,940	50,806 4,001 2,973 1,526 19,024	+ 0.7 + 2.7 + 26.3
	50,907 4,040 2,800 1,344	50,907 50,786 4,040 3,972 2,800 2,896 1,344 1,208 16,582 18,940	50,907 50,786 50,806 4,040 3,972 4,001 2,800 2,896 2,973 1,344 1,208 1,526 16,582 18,940 19,024

The scope of consolidation changed following the sale of the seasonings business, of the stake in Védial at year end 1994, as a result of the acquisition of four companies in the Animal Nutrition division and following the acquisition of American Maize in November 1995.

Net sales and operating income were broadly unchanged compared to 1994 despite a significant unfavourable foreign exchange impact. On the basis of unchanged exchange rates and of a comparable scope of consolidation, the net effect of the latter being minimal, net sales growth would have been 6.4% while operating income would have increased by 7.2%.

This increase in operating income was the consequence of a significantly improved performance of the Animal Nutrition and of the Crushing and Refining divisions, offset by short term difficulties in the Consumer Products division and by the deterioration of margins in the Starch Products division owing to delays in passing on raw material price increases in the second half of the year. The Sugar and Derivatives division enjoyed generally good conditions, albeit partly erased by the adverse impact of Italian and the Hungarian currency movements. Pre-tax income from cootinuing operations improved 2.7% reaching 2,973 million francs thanks to a further decline in net financial expense resulting from lower average financial indebtedness prior to the acquisition of American Maize in November 1995.

The Group's share of net income grew 26.3% to 1,526 million francs, mainly as a consequence of the group's overall tax rate falling from 41% in 1994 to 27% in 1995, despite the higher French corporate income tax rate. This improvement, mostly non-recurring, arose from measures to optimise taxation which enabled the group to take tax credits against current and

future income for prior years' tax losses. The ratio of net financial debt to equity at year end 1995 was 0.68 versus 0.57 one year earlier after taking into account the financing of the purchase of American Maize.

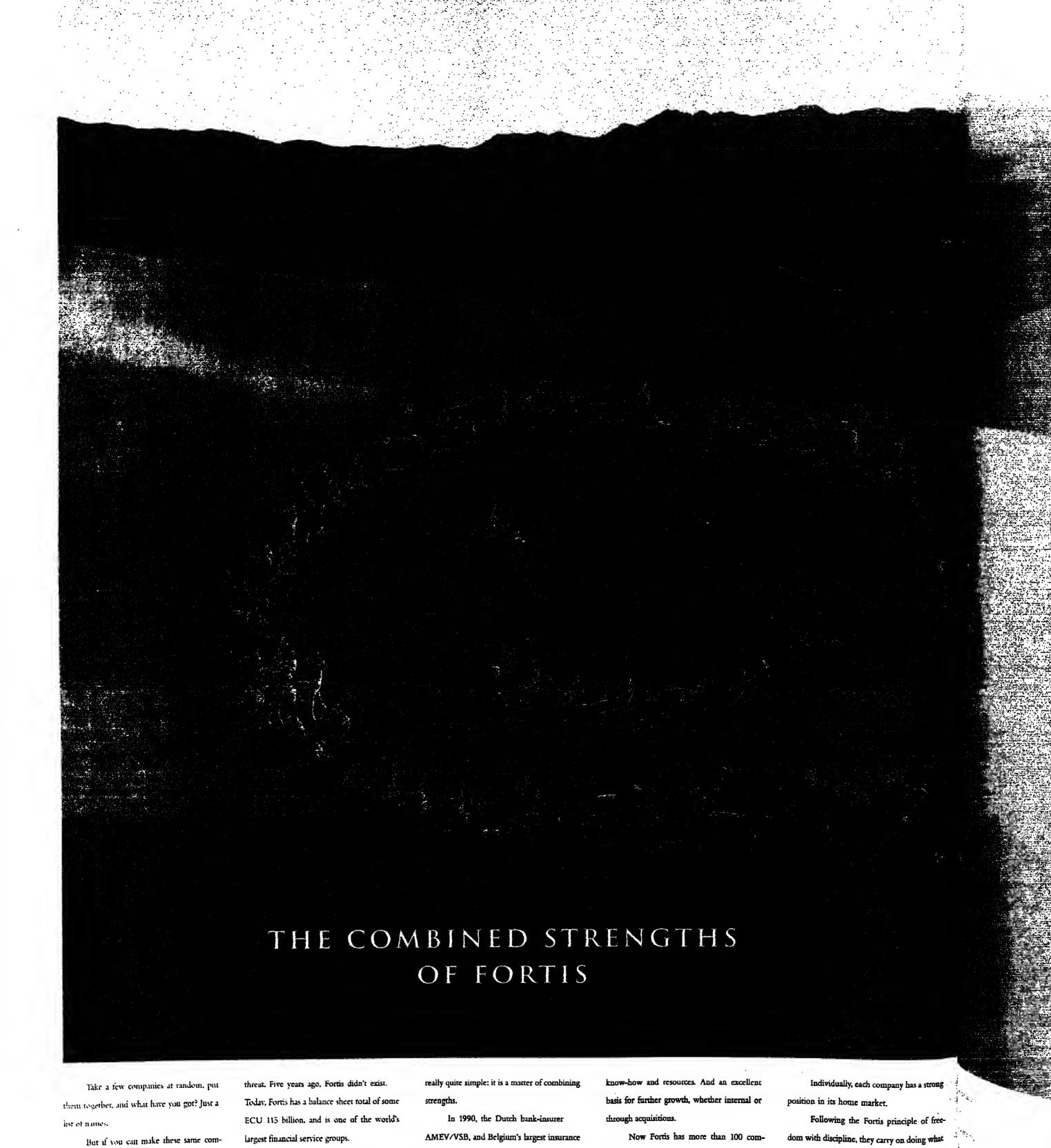
The Board also reviewed the accounts of the parent Company, Eridania Beghin-Say, showing net

The Board will propose to the Annual General Meeting of Shareholders that a dividend amounting to 857.5 million francs be declared, versus 779.5 million last year. The dividend per share and per investment certificate would therefore be 33 francs, before tax credit, up

The appointment of Messrs Patrick Ricard and Piero Antinori as Directors will be submitted to the approval of the Meeting.

Speaking at the conclusion of the Board meeting, Mr. Enrico Bondi, Managing Director of Montedison, stressed the strategic nature of Mootedison's majority stake in Eridania Beghin-Say and explicity denied that there were any plans to sell or reduce this stake; all comments about any such plans are without the slightest basis in fact.

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company AG, decided to join forces. The result

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doing so, feeding enthusiasm for further :lopment

This is one reason why Fortis in the ted States enjoys a leading position in a ber of specialized insurance market oents. In Spain, thanks to a joint venture life insurers.

And in the Benelux, where its companies include AG 1824 and ASLK-CGER in Belgium and AMEV and VSB in the Netherlands, Fortis is one of the leading prounderline that Fortis has tremendous potential. Because the strength of the whole is greater than the sum of the parts.

That was the original idea, and that is still how Fortis sees it. Even though much 33,000 employees are keen to make sure that this is just the beginning. Fortis is ready for

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COMPANIES AND FINANCE: THE AMERICAS

Serfin seeks capital injection for bank

By Leslie Crawford In Mexico City

Grupo Serfin, Mexico's third-largest financial group, is understood to be looking for a foreign partner to help recapi-talise its troubled bank

Serfin is hoping to raise \$500m by the middle of the year to strengthen the bank's capital and reserves, and to take advantage of a relief scheme that allows banks to sell their bad loans to the gov-ernment if shareholders inject fresh capital into the bank. The ratio set by bank regulators is two pesos of bad loans

for every peso of extra capital. Last year, as bad debts mounted with Mexico's deepening recession, Serfin off-loaded 4.34bn pesos (\$575m) of nonperforming loans on to the government, and coaxed 2.17bn pesos from reluctant share-

Serfin executives say the bank needs to shed another 8bn pesos of bad loans to clean up its balance sheet. The bank posted heavy losses in the second half of 1995 and managed only a 22m peso profit for the whole of the year. It also has the lowest capitalisation ratio of Mexico's leading banks.

are too small to generate significant [bad debt] provisions, says Mr Felix Boni at James Capel, the US investment bank. Unlike Banames and Bancomer, its two larger rivals. Serfin lacks a large depositor base with which to finance its operations. Its

"Serfin's interest margins

nerable to the wild fluctuations in interest rates last year. Mr David Royo, Serfin dep-uty director of financial planning, says the bank is seeking to raise between \$100m and \$150m from its controlling

Earnings per share

dependence on money market

funds made it particularly vul-

shareholders, which include Grupo Vitro, the glass manufacturer, and the wealthy Sada family of Monterrey.

Another \$300m of fresh capital is expected to come from asset sales, including Seguros Serfin, the group's insurance сотралу.

That still leaves Serfin \$150m. short of its \$500m capital target. Mr Royo says: "If we are able to cnt costs and increase our depositor base, then perhaps the bank will be in a stronger position to raise capital in the international markets later this year." Mr Royc says Serfin is "open

eign partner into the group". although there were no negotiations with foreign banks. Bank analysts, bowever,

believe the financial constraints of Serfin's existing sbareholders will eventually force the bank to seek a foreign partner - a strategy increasingly pursued by Mexico's troubled banks. Bancomer, the country's secondlargest bank, recently clinched an alliance with Canada's Bank of Montreal. Weaker banks, such as inverlat and Probursa, bave been taken over wholesale by foreigners.

Netscape and GE unit in Internet venture

By Louise Kehoe

Netscape Communications, the

The partners will each bold Systems. It will focus on developing Internet software for

and payments.

Actra will target small and medium-sized businesses that could benefit from the technology, according to Forrester Research, a US market research group.

The venture's products will

NEWS DIGEST

in San Francisco

leading Internet software group, and General Electric's Information Services division have formed a joint venture company to develop and mar-ket software to make it easier for companies to do business over the Internet.

a 50 per cent interest in the venture, called Actra Business electronic commerce by com-bining Netscape's popular browser interface and server technology with GEIS's tech-nology for Electronic Dicument interchange (EDI) – the use of computer networks to place purchase orders and self goods and services.

GEIS is a leader in EDI services, with about 40,000 customers. Its services are based on proprietary technology and private networks. The group also recently unveiled Internet services using a proprietary encryption technique to

ensure security.

The jnint venture plans to develop a business document gateway, to enable the exchange of electronic data between businesses and their trading partners, as well as server software to streamline sourcing, ordering, purchasing

do not make use of proprietary EDI services. Some 100,000 companies worldwide currently use EDI services. This number represents only about S per cent of businesses that

"By working with GE on this joint venture we bope to extend the Internet's benefits to business-to-business com-merce," said Mr Jim Barksdale, president and chief exec-ntive of Netscape,

be distributed by its parent companies, as well as through electronic commerce service

AMD slides into red at operating level

Advanced Micro Devices reported a 70 per cent drop in first-quarter earnings as the Silicon Valley chipmaker failed to keep pace with rapid advances in microprocessor technology. AMD had warned of lower profits, but the results were well below Wall Street expectations. First-quarter sales were \$544m, down from \$627m in the same period last year. The company reported an operating loss of \$22m, against an operating profit of \$122m in the first quarter of 1995. Net

income for the quarter was \$25m, or 18 cents a share. including an \$8.7m charge related to the recently completed acquisition of NexGen, a microprocessor design company, and a pre-tax gain of \$24.7m from the sale of securities. in the same period last year AMD recorded net income of \$84m, or 63 cents. AMD "continued to feel the effects of the lack of a fifth-generation microprocessor product" to compete with Pentium chips from Intel, the world leader in microprocessor chips used in personal computers, said Mr W. J. Sanders III, AMD chairman and chief executive, AMD began shipments of Pentium-class chips at the end of the first quarter. It plans to produce more than 3m during the rest of the year, and more

than 5m over the next 12 months, Mr Sanders said. Even as AMD begins to catch up with Intel. however, the market for chips used in personal computers is slowing. "The current industry-wide downturn . . . makes projections about future prospects problematic," Mr Sanders said.

Louise Kehoe, San Francisco

per test

Rear

Toronto Dominion buys broker

Toronto Dominion Bank, Canada's fifth largest, plans to form one of North America's largest discount brokerages by taking over the US broker Waterhouse Investment Services for US\$525m in cash and stock. The bank's Green Line Investor Services is the leading discount broker in Canada. The two operations will be merged but each will retain its name.

Mr Lawrence Waterbouse, founder of Waterbouse, will remain chairman of the US operation, which has 1,300 associates serving more than 500,000 accounts through 79 branch offices in 37 states. Toronto Dominion, which has US\$78bn in assets, led the way in discount brokerage in Canada more than s decade ago and now claims a 70 per cent

"By joining with a big US firm, our Canadian customers will tap a broader range of products," said Mr Keith Gray, Green Line executive vice-president.

TD will pay US\$38 in common shares or cash for each Waterhouse share, while ensuring that 65 per cent of the total price is paid in stock. The deal requires regulatory approval in Canada and the US and is due for completion by August 31. TD plans to list its shares on the New York Stock Exchange. Robert Gibbens, Montreal

KPMG's US chief goes global

Mr Jon Madonna, US chairman and chief executive of KPMG, the accounting and consulting firm, is to step down in October to concentrate on his role as chairman and chief executive of the KPMG global organisation. Mr Madonna was elected to the global chairmanship in October 1995, having been chairman of the US firm since 1990. He said that leading the firm at a global level was now a full-time job. There will be an election for the US chairmanship.

in the US, Mr Madonna is credited with re-focusing the firm on consulting and advisory work rather than purely traditional accounting services. As a result, KPMG reported a 10 per cent increase in revenues following the reorganisation in 1993. Mr Madonna said he hoped to bring the same success to the global firm.

KPMG, like most of the other Big Six accountancy firms, is made up of many national firms linked by an umbrella organisation. In recent years these organisations have become increasingly important as clients seek cross-border services.

Jim Kelly, Accountancy Correspondent

Six bids for Mexico gas permit Bidding for Mexico's first permit to distribute natural gas has

attracted six groups. Distribution and transportation of natural gas was opened to companies other than state oil monopoly Petróleos Mexicanos (Pemex) last year. Subsidiaries of US company Tenneco and Spanish oil group Repsoi are among those bidding for the distribution permit for Mexicali, a mid-sized town near the US border. San Diego Gas and Electric, PNM Energy of New Mexico, and Gaz de France all registered with Mexican partners, while Multigas, a Mexican company, registered individually.

"This process is testing all the regulations and changes of the last year," said Dr Hector Olea, president of the Energy Regulatory Commission, the body which has overseen the liberalisation of the sector. He said the Mexicali licence was chosen to open the sector "because it is small and very manageable". Bldding for the Mexicali project will close on June 3, with the permit awarded on August 12. Dr Olea said he expected three or four other gas licences to he awarded this Daniel Dombey, Mexico City

Falconbridge bows out

Falconbridge, the Canadian mining group, has bowed out of the bidding for the Voisey's Bay nickel property in Labrador, but is entitled to a C\$100m (US\$73.7m) break-up fee. Falconbridge said it was not ready to top inco's C\$4.3bn bid. and it had not signed any deal with inco to bny a minority stake in the world's largest known nickel-copper-cobalt property. It will invest the C\$100m, less the cost of its bid, elsewhere. Inco is buying the 75 per cent of Voisey's Bay it does not already own by acquiring Diamond Fields Resources. DFR is holding a special shareholders' meeting in Vancouver on May 22 to approve the offer. Robert Gibben

Telex-Chile lifts Colomsat stake

Telex-Chile is to buy a further 40 per cent of Colombian telecommunications company Colomsat for \$4m, and plans to list it on the Bogota stock exchange. The deal, which leaves Telex-Chile with 89.68 per cent of Colomsat, also opens the way for the long-distance carrier to take further control.

Telex-Chile subsidiary Texcom will also sign a future purchase agreement for Colomsat stock. Under the agreement. Texcom may buy within the next year a further 7.82 per cent of Colomsat's current shares outstanding at \$2.76m, or about three times their book value on December 31, said Telex-Chile. Colomsat has become Colombia's main private competitor to the long-distance service monopoly, said Telex-Chile, whose own long-distance unit, Chilesat, is one of five main long-distance carriers in Chile.

CREDIT COMMERCIAL DE FRANCE FRF 500,000,000 REVERSE FLOATER BONDS DUE 1998 CODE ISIN : X50043048882 For the period April 08, 1996 to October 08, 1996 the new rate has been fixed at 9,718702 % F.A. Next payment date: October 08, 1996 Coupon nr: 6

Amount: FRF 483,24 for the denomination of FRF 10 000 FRF 4 832,35 for the denomination of FRF 100 000 FRF 24 161,77 for the denomination of FRF 500 000 THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST - LUXEMBOURG

SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 300.000.000 REVERSE FLOATING RATE NOTES DUE APRIL 2003 ISIN CODE: XS0041992784 For the period April 09, 1996 to July 08, 1996 the new rate has been fixed at 10,3711 % PA.

(a company incorporated in Hong Kong with limited liabilit US\$200,000,000 5% Convertible Bonds due 2000 ("Bonds") NOTICE TO BONDHOLDERS

SINO LAND COMPANY LIMITED

The Directors of Sino Land Company Limited ("the Company") on 28 March, 1996 declared an interim dividend of HKS0.08 per shere for the year ending 30 June, 1996 to shareholders whose names appear on the ending 30 June, 1996 to stareholders whose names appear on the size of members on 26 April, 1996. This Interim dividend is payable

on 27 May, 1996.

The register of members of the Company will be closed from 17 April.

1996 to 26 April, 1996 Iboth dates inclusivel. Registered holders of existing Bonds who wish to exercise their conversion rights attaching to their Bonds so as to be entitled to the said interim dividend should lodge. the properly completed and signed conversion forms together with the Bond certificates with their Agent so as to reach the Company before 4.00p.m. (Hong Kong time) on 26 April, 1996.

By Order of the Board Hong Kong

11 April, 1996 By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANC

Motorola surprises with first-quarter improvement

By Louise Kehoe

Motorola, the US semi-conductor and electronics equipment manufacturer, bas reported an unexpected modest gain in first-quarter earnings, rebounding from a weak per formance at the end of last

It posted first-quarter sales of \$7bn, up 16 per cent from \$6bn in the same period a year

Earnings for the period rose about 3 per cent to \$384m, or 63 cents s share, from \$372m, or 61 cents, in the first quarter

Wall Street analysts bad been predicting an earnings decline to about 57 cents a share, and in early trading yesterday Motorola's shares jumped \$314 to \$5514. However, the company said first-quarter earnings would

bave been flat, were it not

for a lower corporate tax rate.

It warned that "difficult earnings comparisons" may be Mr Gary Tooker, vice-chairman and chief executive, cited mixed economic conditions. price pressures in the cellular telephone market and weaken-

products. Cost-cutting also contributed to improved earnings. Lower gross margins in the company's main businesses were largely offset by lower expenses, the company said. First-quarter semiconductor

ities in the past financial year.

dated Financial Statements

Election of auditors.

April, 2001;

Agenda

ing demand for semiconductor

COMPANY PROFILE:

Motorola

Market capitalisation \$31,06bn Historic P/E 17.83 Gross yield Earnings per share \$2.93 Current share price

\$55,13 Share price relative to the

95

Novo Nordisk A/S

The Company will hold its Annual General Meeting of Shareholders on Tuesday, 30 April, 1996, at 4.30 pm at Laurentsvej 45, Bagsvaerd, Denmark

sales rose 14 per cent to \$2.1bn. but new orders declined 5 per cent, with orders from the personal computer industry "down significantly", the

Motorola's General Systems Products group, which includes the company's world-leading cellular telephone business, reported a 16 per cent increase in sales to \$2.7bn.

US cellular telephone sales had declined in the fourth

1. The Board of Directors' report on the Company's activ-

2. Presentation of the Financial Statements, the Auditors'

3. Resolution concerning adoption of the Profit and Loss

4. Resolution concerning application of profits according to

the adopted Financial Statements.

5. Election of members to the Board of Directors.

7. Proposals from the Board of Directors:

prolonged until 30 April, 2001;

(i) In subarticle 3 the words

as follows: shall be deleted.

shall be deleted

Report and the Annual Report as well as the Consoli-

Account and the Balance Sheet, including discharge of Management and Board of Directors from their obliga-

(a) to change Article 4 (a), 2nd sentence, of the Articles

of Association so that the present authorisation to the

Board of Directors to issue employee shares by up to a total of DKK 25 million of B Shares is prolonged until 30

(b) to change Article 4 (a), 3rd sentence, of the Articles

of Association so that the present authorisation to the Board of Directors to increase the share capital by up to a

total of DKK 100 million of B Shares, in connection with

the acquisition of an existing enterprise and without pre-

emptive subscription rights to existing shareholders, is

(c) to change Article 4 (a), 5th sentence, of the Articles

of Association so that the present authorisation to in-

crease the share capital in one or more stages by up to a total of DKK 100 million is prolonged until 30 April, 2001,

(d) to change Article 15 (f) of the Articles of Association

*Members of the Board of Directors shall receive a fixed

annual fee of DKK 55,000 in the case of the Chairman

and DKK 27,500 in case of other members of the Board

of Directors Such fees are based on the index of net

retail prices of January, 1975, and such fees shall be annually adjusted based on changes of the index of net

Members of the Board of Directors shall receive an an-

nual fee to be fixed by the Company in General Meeting in connection with the adoption of the Financial State-

(e) to change, as a consequence of the proposed changes

to Article 15 (f) of the Articles of Association, Article 19

(b) of the Articles of Association in the following manner:

After the holders of B Shares have received a 5 % dividend, the remaining profit shall be distributed

(ii) Subarticle 4 on bonus to the Board of Directors

(iii) Subarticle 5 shall be changed to subarticle 4 and

have the following wording:

"4. After the holders of B Shares have received a S %

dividend, the remaining profit shall be transferred to reserves, distributed as additional dividends or as other-

wise specified by the Company in General Meeting

upon the proposal of the Board of Directors. However, in case of distribution of additional dividends, the holders

of A Shares shall never receive a dividend exceeding the

dividend paid to the holders of B Shares in terms of per-

(f) to authorize the Board of Directors, until the next An-

nual General Meeting, to let the Company acquire own

shares of up to 10% of the share capital and at the price quoted on the date of purchase with a deviation of up to

10%, cf. Section 48 of the Danish Companies Act.

quarter of 1995, and analysts said the increase in sales and

were mixed, the company said. "Robust economic growth continues in Asia, especially in China," Mr Tooker said.

but the long-term trend is favourable."

continuing, while the US is growing modestly. Latin America

1992 93 94 95

orders was encouraging. General market conditions

Weakness in Europe is continues to experience near-term volatility

To adopt the proposals for amendment of the Articles of

Association under the Agenda's items 7(a)-7(e), at least 2/3 of the total number of votes in the Company shall be

present at the General Meeting and at least 2/3 of as

well the votes cast as of the share capital represented at

the General Meeting shall vote for the proposals, cf. Ar-

To adopt the remaining proposals, a simple majority of

Admission cards and ballot papers are available from: Den Danske Bank, phone: +45 33 44 51 40 or by written application or for collection at the address

Novo Alle, DK-2880 Bagsvaerd, building 6A, on week-

Admission cards and ballot papers are available accord-

ing to Article 11 of the Articles of Association until five

days before the Annual General Meeting (i.e., up to and

Admission cards and ballot papers duly applied for be-forehand and in writing, and which you prefer to collect

personally, are available for collection at Novo Alle, DK-

2880 Bagsvaerd, building 6A, from Monday, 15 April 1996

to Monday, 29 April, 1996, both days included, on week-

If shares are entered in the Company's Register of share-

holders under the holder's name, admission cards and ballot papers will be issued to the shareholder when stat-

In respect of shares not entered in the Company's Regis-

ter of shareholders, admission cards are issued against

production of documentation of ownership, satisfactory

to the Company, e.g., a deposit statement not more than five days old from The Danish Securities Centre or the

institution holding the shares on deposit, as documentation for the shareholding, together with a written declar-ation from the shareholder stating that the shares nei-

ther have been sold after issuance of the statement nor

that it is the intention of the shareholder to do so before

The Agenda, the exact wording of the proposals and the

Financial Statements, the Auditors' Report, the Annual

Report as well as the Consolidated Financial Statements will be available for inspection by the shareholders at Novo Alle, DK-2880 Bagsvaerd, building 6A, on weekdays be-

tween 10 am and 2 pm from Monday, 15 April to Tues-day, 30 April, 1996, both days included. The Agenda and

the Annual Report will automatically be sent to all share-

holders whose shares are registered under the holder's

name in the Company's Register of shareholders. The

documents are also available from the Company or from

Den Danske Bank, London Branch, 75 King William Street,

The dividend as approved at the Annual General Meeting will - after deduction of withholding tax - he sent to

Novo Nordisk A/S' shareholders directly via The Danish

the Annual General Meeting has been held.

ticle 10 (h) of the Articles of Association.

days hetween 10 am and 2 pm.

including Thursday, 25 April, 1996).

days between 10 am and 2 pm.

ing the nominal value of his/her shares.

Moody's upbeat on US banks after series of mergers

By Richard Waters

The recent spate of bank mergers in the US has created a group of banks with the scale and breadth of business to boost their financial strength still further, sccording to s report by Moody's investors Service, the US ratings agency. The result is likely to be

even stronger credit ratings for the country's largest banks, including Chase Manhattan, Citicorp and BankAmerica, the

By contrast, banks like J. P. Morgan and Bankers Trust, whose activities are concentrated in the wholesale markets, face growing competition and price pressure which could weaken their ratings over the longer term, it added,

Moody's confident predictions for the biggest US banks come after a recent series of npgrades, which have seen the institutions recover ratings not seen since before the credit crisis of the early

Chase, Citicorp, BankAmerica and Wells Fargo have all been upgraded by the ratings agency in recent months, and each now has a double-A rating at the bank subsidiary level and an AI rating at the bolding company level.

US banks have largely evaporated in recent years, there bss been increased attention to the high levels of credit card and other types of debt taken on by US consumers, as well as a rise in loan delinquencies.

However, that has failed to disturb the financial markets'

general confidence in bank credit quality. "Delinquency rates and charge-off ratios are nothing -

it's frankly not something we're concerned about," said Mr Bill Key, a fixed income analyst at UBS in New York. He said recent large share buy-back programmes announced by a number of banks would not weaken their balance sheets either, since the banks were likely to generate

months to fund the buy-backs without dipping into their Mr Michael Foley, a Moody's vice-president, said their new size made the biggest banks better able to invest in the latest technology needed to support a network which was

sufficient profits in the coming

These banks were finding new ways to fight back against the non-bank finance and credit card companies that in recent years have encroached on their business, be said.

less dependent on traditional

by BAT to sell six

n New York

The Federal Trade Commission said it was not convinced that Lorillard would compete

the factory that makes the six brands, resulting in its probable closure.

1994. It merged the company with its Brown & Williamson Tobacco subsidiary. The FTC originally sought to

opposition in exchange for undertakings that BAT would divest some of American Tobacco's minor brands and seek a buyer for American Tobacco's main factory in Reidsville, North Carolina.

Last November, BAT said that Lorillard had agreed to buy the US domestic rights to six discount brands: Montclair, Malibu. Riviera, Crows, Bull Durham, Crows and Special Tens. But the factory would

FTC rejects plan discount brands

igarette market.

BAT acquired the brands wben it bought American Tobacco from American Brands for \$1bn at the end of

block the takeover on anti-trust grounds, but withdrew its

close, BAT said, since Lorillard

Lorillard's main product was a

full-price menthol brand -

Newport - and it "has not

demonstrated that it has been

involved in the promotional

activity necessary to maintain

It added that Lorillard's

refusal to buy the factory would "eliminate the possibil-

ity of removing from BAT's

control the excess capacity

that the plant represents and

placing it in the hands of an aggressive competitor that

could use the capacity to

increase production". BAT said: "It's a little odd to

think you would buy a brand

and not compete with it. But we are still very pleased with the American Tobacco acquisi-

tion, and now we have to get

on s find someone else who will satisfy the FTC."

forced to reverse the acquisi-tion if it is unable to find a

In theory, BAT could be

and grow a discount brand".

had decided not to bny it. The FTC said yesterday it was blocking the deal because

The US competition authorities dealt a blow to BAT Industries of the UK when they rejected the company's plan to sell six discount cigarette brands to Lorillard Tobacco, one of the smaller US cigarette manufac-

aggressively in the discount It also cited concerns that Lorillard had declined to buy

suitable buyer.

BAT said the most likely buyer would be a US company already in the cigarette busi-ness. However, it said Liggett, the other small US tobseco company, would probably not be acceptable to the FTC because Mr Bennett LeBow, its owner, is currently trying to acquire control of RJR Nabisco, the second-biggest US tobacco company.

11-13, Avenue Errile Rauter L-2420 LUXEMBOURG

259.28 for the denomination of FRF 10 000 2592.78 for the denomination of FRF 100 000 25927.75 for the denomination of FRF 1 000 000 The Principal Paying Agent SOCKETE CENERALE BANK & TRUST - LUXEMBOURS

Bagsvaerd, April, 1996

The Board of Directors

London EC4N 7DT.

Securities Centre.

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فتقاد جمرية والهيا

profession Committee

COMPANIES AND FINANCE: UK

Forecasts for Smurfit hit by paper fears

By Patrick Harverson

The problems of the worldwide paper industry were underlined yesterday when City analysts sharply downgraded their profits forecasts for Jefferson Smurfit after the Irish group warned the downturn in the market could extend into 1997 because of poor demand, volatile prices and overcapacity.

Reporting pre-tax profits of 1£420m (\$658m) up from 1£119m before exceptional items in 1994, Smurfit said the deterioration in trading conditions at the snd of 1995 had continued this year with demand for corrugated containers weakening amid continued manufacturing

overcapacity. It said demand would not catch up with supply and prices would not improve until world economic growth strengthened.

The warning prompted analysts to slash their profits forecasts for the next two years. UBS, hroker to Smurfit, cut its forecast for 1996 profits from 1£365m to 1£260m and for 1997 from I£340m to I£265m.

The gloomy outlook con-trasted with the record annual results Smurfit unveiled yesterday. The increase in profits and turnover, which rose from

lel.71bn to le3.03bn, was put down to tha sharp rise m paper prices and demand in the first three quarters of the year, and to the contributions from acquisitions, notably Cellulose du Pin. Bought in 1994 for 19684m, the French container board manufacturer accounted for the bulk of the I£140m in profits and the I£1bn in sales that acquisitions contributed

Smurfit made several overseas acquisitions or foreign investments during the year. including a joint venture in China by its US associate Mr Dermot Smurfit, joint deputy chairman and son of the founder, said the group would pursue careful expansion in the Far East and would look for acquisition opportunities

Although gearing rose last year to 40 per cent, Mr Smurfit claimed the group still had the capacity to take on another deal comparable to the Cellulose du Pin acquisition. He said Smurfit was a "buyer rather than a builder" of new capac-

The group's continental European operations mads profits of 12195.4m, up from 1534.6m.

A background of higher demand helps justify aggressive rises

Granada raises hotel prices 15%

By Raymond Snoddy and David Blackwell

Granada Group has pushed through average price increases of 15 per cent a room in the 19 London hotels acquired

from Forte earlier this year. The rises have been phased in over the past few months and in several hotels the

increase has been as high as 20 per cent.

News of the aggressive Granada move against a background of rising demand and higher occupancy rates in the London hotel market came as the company gave a positive trading update to City analysts.
"They could have talked down expectations - but if anything they stoked the fires," said one analyst.

However, the group also said it was in no hurry to dispose of its upmarket hotels

to cut debt.
Mr Charles Allen, Granada chief executive, said he would be producing a detailed profit improvement-cost analysis for each hotel. The group had followed a similar policy with the White Hart chain, sold to

Regal Hotels last week.

He also confirmed that Sir Rocco Forte, the former chairman of the Forte Group, was still formally interested in bidding for

some of the hotels the company used to

Meanwhile, Granada was experiencing "good performances" from all divisions. Mr Allen was "comfortable" with forecasts at the time of the hostile £3.9bn takeover that in the year to September 1997 Granada could realise a profit improvement in the former Forte businesses of £100m.

The price rises in the London hotels are part of general rises introduced by Gran-ada across tha former Forte businesses. Increases of £5 and £10 are being introduced to Posthouse Hotels where rooms currently range from £59 to £79 a night.

Travelodge prices have already been increased from £34 to £36.50 with no effect on bookings and the aim is to move to £39 after improvements have been introduced. including the installation of satellite tele-

Granada is also involved in discussions with the Inland Revenue to see wbether the company can spread capital gains tax from the planned sale of Exclusive and Méridien hotels across the whole £3.9bn acquisition. Tax payments of more than £20m are expected on hotels in France and



Charles Allen: preparing detailed profit/ cost improvement analyses for each botel

United Airlines sues GEC-Marconi

By Bernard Gray

GEC-Marconi is being sued by United Airlines because the \$100m in-flight entertainment system it has provided for the new Boeing 777 airliner does not meet the agreed specification. United is claiming damages because the system supplied by GEC is less advanced than claimed. GEC said yesterday that it would defend the Illinois lawsuit and wanted United to pay for the equipment it has already supplied.

United has also cancelled a contract to upgrade its existing fleet of Boeing 747 and 767 aircraft with the Marconi system. The two contracts together are worth \$100m, and United may claim additional damages. The action is embarrassing for GEC, which has been vying for a share in the potentially lucrative, but competitive, in-flight entertainment market. GEC agreed in 1992 to supply United with an advanced interactive entertainment system, allowing passengers to order duty

free goods or play arcade-style computer games as well as wetch films on the 777. Problems meant that the system was not ready for the aircraft's launch last June. United was supplied with a less sophisticated version without the interactive facilities. However some of United's pre-launch publicity put emphasis on the interactive system, embarrassing the airline.

GEC said it was surprised as it had been holding meetings with United to resolve

Departing Rank

Mr Michael Gifford yesterday Rank Organisation, the leisure group, with a spirited defence of its Rank Xerox stake for £620m, writes David Blackwell In reply to a question from a private shareholder, Mr Gif-

ward". Sir Denys Henderson, chairman, said Mr Gifford had refocused Rank into a leisure and entertainment company with market leading positions in cinema, bingo and holidays. Mr Andrew Teare, formerly head of English China Clays,

reinvest the proceeds. The full effect had not been seen yet -

"but you will see it going for-

chief defends sale

LEX COMMENT

Granada

160 ---

operating profit. And given an increasingly favourable hotel market, occupancy should not suffer. Having got the consoli-

dation of Forte under way, Granada's near-term share perfor

mance will be driven by disposals. The management has made strenuous efforts to defer analysts' expectations of quick sales,

and given Granada's strong cash flow its current £3.5bn of net

debt is not particularly worrying. Nonetheless, the pitiful return on assets of Forte's trophy hotels means their sale

The company looks to have found a way of minimising

capital gains tax liabilities even if it sells hotels in a piecemeal fashion. Given the current strength of the London hotel mar

Even if there were no disposals, profits of £640m in the year to September 1997 would lesve the shares on a small premium

to the market average, after taking oot the current value of

the BSkyB stake, With the prospect of earnings enhancing disposals, this still looks cheap.

represents an easy means of boosting earnings.

disposals in the foreseeable future.

bedding down the £3.9bn Granada
acquisition of Forte, no news
from Granada's trading FT-SE-A Al-Share index

Given the possible pitfalls of

statement was the best news

mvestors could have hope

for. The performance of the group's TV and catering interests has confounded concerns that these divisions

would suffer while the man-

gement's attention was tied

up elsewhere. Meanwhile,

Granada is delivering on its promise to boost Forte's

profitability. The raft of UK

hotel price rises being imple-mented amount to more

than £30m of aunualised

bowed out as chief executive of of last year's sale of 40 per cent ford, chief executive for the past 12 years, told the annual

DAIMLERBENZ

meeting thet the group had seized an opportune moment to took over as chief executive at the end of the meeting. reduce the stake in the office

Standard Life loses chief

By Norma Cohen

Mr Dick Barfield, chief investment manager at Standard Life and one of Britain's most prominent sharebolder activists, is to resign his post at the end of June to pursue other interests.

decision to go and do something for myself," said Mr Barfield, who has been with Standard for 26 years, the past eight as its investment director. "It's really a quality of life decision." He will receive no

Standard has £44bn in assets under management and owns about 2.2 per cent of the UK stock market.

The company, Europe's largest mutual insurer, has bene-fited from the high profils Mr Barfield gave it through his role as a shareholder activist. It recently led an unsuccessful revolt among shareholders in Farnell Electronics, the UK engineering group, over its plans to acquire US-based Premier Industrial Corporation.

Mr Barfield will be replaced by Mr John Thomson, involved in developing Standard's international expansion strategy.



Subordinated collared floating rate ootes due 2003 Notice is hereby given that for

the interest period 11 April 1996 to 11 October 1996 the notes to 11 October 1996 the notes will carry an interest rate of 5.49219% per aurum. Interest payable on 11 October 1996 will amount to US\$139.59 per US\$5,000 note and US\$2,791.86 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan**



\$100,000,000 Floating rete notes 1998

Notice is hereby given that for the interest period from 9 April 1996 to 9 July 1996 the notes will carry an interest rate of 6.40938% per annum. Interest payable on 9 July 1996 will amount to \$159.36 per \$10,000 note and \$1,593.59 per \$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

EUROPEAN COAL AND STEEL COMMUNITY

WATER STREET

Rentokil expected to increase BET bid

By Geoff Dyer

Rentokil, the business services group, is expected this morning to increase its hostile £1.9hn (\$2.88bn) hid for rival BET by at least 10p per share. Institutional investors in BET, some of whom have met both the groups over the last few days, predicted last night that any increase in the cash and paper offer would be in the

range of 10p-25p.
Rentokil said last night that a final decision on the timing or size of an increased offer had yet to be made and it bas. ntil tomorrow to decide. How

After shares in Rentokil fell 5p to 363p yesterday, the hid value dropped to 202p, com-pared with BET's closing price of 207%p, down %p. In an attempt to put pressure on Rentokil in the run up to the deadline, one of the largest shareholders in BET called for a generous increase in the offer. "Our valuations say that Rentokil should be paying at least 225p per share, with some calculations saying BET is worth 250p," the institution

Other shareholders said that a smaller increase would sufks like they will put ever sources close to the group suggested that it was likely to move today.

It up a little bit, around 10p say, and comfortably win the day," said one.

Hammerson pays £81m for Berlin shopping centre

By Simon London **Property Correspondent**

Hammerson, the property investment and development company, has added to its portfolio of continental European assets with the £81m (\$123m) acquisition of a Berlin shopping centre.

The deal follows a spate of acquisitions by the company in France, but is Hammerson's first in the German market since 1990. The company is paying

DM183.4m for a 93 per cent stake in the Markisches Zennorthern suburb of Berlin.
The 1960s centre, comprising income of DM16.8m, giving 105 shops, is heing acquired Hammerson an initial yield

German investors. About 10 of the investors, accounting for 7 per cent of the shares, will retain their holdings.

Mr Ron Spinney, chief execu-tive, said that the centre provided Hammerson with secure income and opportunities to improve its performance through capital investment. Hammerson's recent strategy

has concentrated on increasing its weighting towards retail property and continental European markets. In March it paid £49m for a large office building in central Paris.

The Markisches Zentru

from a partnership of private after costs of about 7 per cent. Yields in the German property market are among the lowest in Europe, partly reflecting the strong appetite of domestic investors for property investments.

However, Hammerson's cost of D-Mark funds to finance the acquisition will also be relatively low, in line with German interest rates. Mr Spinney said that the average cost of debt, including loans which were being assumed, would be less than 5 per cent.

Hammerson already owns three retail properties in Gercent of gross assets. In 1995 the value of its German portfobo fell 7.7 per cent.

Positive Aim outweighs negative

Christopher Price on the progress of the fledgling companies market

he Alternative Invest-ment Market, which has had a remarkably trouble-free existence since launching last June, has bad some anxious moments recently.

Directors being censured, star stocks falling dramatically and the market index slipping below its launch level have all emerged to tarnish its polished

Yet far from causing ructions, these developments have caused only minor ripples, underlining Aim's growing repntation as part of the London financial establishment. Negative developments have,

in any case, been offset by more positive aspects, such as the number of new issues, an increase in City firms deciding to make markets in Aim stocks and record trading last month.

Ironically, it was one of the darlings of the junior market -Firecrest, the media services group - which prompted the Stock Exchange to make its first public censure over the granting of share options. The move will have been a

worrying one for the authorities. Prior to Aim's establishment, critics, including many institutional investors, argued that the less onerous joining regulations would attract inexperienced management and unsuitable companies. The exchange, however, said the new market needed lighter entry requirements - such as a shorter trading record, a lower percentage of shares in public hands and no sponsor - in order to attract young and

RESULTS

Mose Bres

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Fall from grace Share price relative to the FT-SE-A SmallCap ex Inv Trusts Index

dynamic companies. Firecrest had also been one of a handful of last year's star performers on Aim to see a sharp share price fall this year. Its shares have retreated from more than 200p at the end of the year to 70p yestarday although they are still nearly double their July placing price. Shares in Memory Corpora-

tion, which repairs microchips, plunged after the company reported disappointing results last month. It came to Aim via a placing at 420p, and its shares subsequently reached 505p: they closed at 150p yes-terday. Shares in Antonov, the specialist gearbox group, have halved in the past six months. These three companies were among the heaviest traded of

Aim stocks and their fall is

largaly behind the undsr-

performance of the Aim index,

which missed out on Aim's

(41.2) (478.5) (1.55🗆)

(-) (14.5) (260.1)

(478.5) 20.6 (1.55[]) 0.347 (18.23) 0.51L (134.3) 7.72♥

23.5

18,91 146,9

87.5

7.32 3,032

_ Yr to Jan 31 131.2 (105)

_ Yr to Dec 31 _ Yr to Jan 31

Yr to Jan 31 552.8

Yr to Dec 31 . Yr to Jan 27

. Yr to Dec 31 16.9 . Yr to Dec 31 239.8

45 weeks to Feb 29 Yr to Dec 31

___ Yr to Dec 31 ___ Yr to Dec 31

prodit (Ess)

Attributable Earnings (End)

0.868 (0.559)

(2.54) (0.306) (0.74) (5.82) (17.9) (7.4) (-) (0.207) (8.41) (0.207)

4341 9.24† 3.3 0.5L 12.8† 27.6 42.53 1.05 0.01 10.4 22.8

5.26 (4.41)

0.953L

beginning of this year. From a base of 1,000, it closed the first quarter at 988.9.

Far from being concerned, dealers dismiss the declines as a reflection of the vagaries of a smaller companies' market, where liquidity - the percentage of shares free to be traded - is often difficult to maintain. The result is more extreme movements in price than seen in the main market. Firecrest, Memory Corporation and Antonov all have less than 40 per cent of their shares in public hands.

To underline the argument they point to the likes of Celtic Football Chub, up 77 per cent over the first quarter, Pan Andean Resources, quadrupled at 75p, and Financial Publications, trebled at 245p, as testimony to the market's other

The lack of liquidity, which buoyant first six months as it has frustrated previous was only launched at the attempts to establish a small

Current pagement (p)

nii 3.25

companies' market, has also discouraged City firms from making markets. However, Aim is gradually winning more converts among hoth institutional investors and market-

Merrill Lynch recently became the first big stockbro-ker to commit itself to Aim, making markets in 25 of the 130 or so stocks. Other big bouses have also begun dabbling, particularly with an eye on the end of the Unlisted Securities Market on December 31, with many of the 300 or so stocks expected to join

Turnover last month reached £133.4m, Aim's highest in a single month, with the number of bargains also at an all-time high of 15,547. Meanwhile, the amount of money raised since the market began passed £200m during March, and institutional investors played an increasing part.

Spurred on by a combination of lower admission costs and easier joining regulations, entrants to Aim were behind an increase in the overall numher of flotations during the first quarter. Of the 46 new issues in the period, 30 were on Aim, compared with 22 last

Taken together, the positive news has outweighed the recent disappointments and maintained Aim's momentum. However, they also demonstrate that Aim is not immune from the illiquidity and the riskiness that tend to plague small company markets.

2.85 Earnings shown basic. Dividends shown not. Figures in brackets are for corresponding period. After exceptional charge. Watter exceptional charge. Watter exceptional charge. Watter exceptional charge. The increased capital. Dividends shown not be income. After exceptional charge.

Yule Catto to seek more purchases

Yule Catto, the chemical and building products group, yesterday said it was back on the acquisition trail as it unveiled pre-tax profits up 16 per cent for last year.

The group, which bad cut net borrowings from £5.4m to £2.7m (\$4m) - representing it was "looking for businesses which are complementary either in product, market sec-

tor or management terms".

Its last substantial acquisition was m 1993 when it paid £18.2m for a 50 per cent stake in Synthomer Chemie, a German synthetic rubber latex Last year's rise in the pre-

tax surplus from £28.5m to £33.1m contrasted with profit downturns at other chemical groups including Albright & Wilson, Holliday Chemicals and Laporte. Turnover increased 18 per cent to £390.8m. Operating margins were squeezed slightly to 8.8 per cent (9 per cent).

Mr Alex Walker, chief executive, said raw material prices had risen rapidly in the first half only to collapse dramatically in the third quarter. He said the group managed the first-half increases by rais-ing selling prices and control-

ling costs. Profit growth in the second half was constrained by weakening demand as a result of customer destocking. Raw material prices had stabilised since the year end. "Raw materials seem to be moving into calmer waters at the moment," said Mr Walker. Profits in the speciality chemicals division rose 10 per cent to £29.1m, while profits in

building products jumped 20 per cent to £7.6m. Capital expenditure was £12.1m (£9.5m). Mr Walker said the group had expanded plants in Malaysia, Sonth Africa and Germany.

Earnings per share expanded 17 per cent to 20.3p. The group recommended a final dividend of 4.8p (4.2p), making a total of Sp (7p).

100th Annual General Meeting which will be held on Wednesday, May 22, 1996 at 10:00 a.m. in the Hanns-Martin-Schleyer-Halle, Mercedesstrasse 69, 70372 Stuttgart (Bad Cannstatt). Agenda (short version)

1. Presentation of the financial statements, tha consolidated financial statements end the combined business review for Dalmier-Benz Aktiengesellschaft end the Daimler-Benz group for the 1995 financial year. 2. Formal approval of the Board of Management's actions

Annual General Meeting 1996

We hereby invite our shareholders to the

for the 1995 financial year.

3. Formal approval of the Supervisory Board's actions for the 1995 financiel year.

4. Election of euditors for the 1996 financial year.

5. Adoption of a resolution concerning the change of the minimum per value of shares to DM 5.00 end the reclassification of the cepital stock as well as amendments to the erticles of association.

6. Adoption of a resolution concerning the creation of

new authorized capital with the possibility of partiel exclusion of the preemptive rights of the existing shareholders end amendment to the erticles of association. 7. Adoption of a resolution concerning the extension of the authorization of the Annual General Meeting

of May 18, 1994 for the issue of convertible bonds or options in eddition to the simultaneous expension of conditional capital stock in accordance with § 3 Par. 4 of the erticles of essociation and amendment to the erticles of association. Adoption of a resolution concerning authorization for the sale of convertible bonds to top executives in

cepital stock end amendment to the articles of association. Entitlement to attend the Annual General Meeting and to exercise voting rights is restricted to shereholders who in accordance with the Articles of Association deposit

their shares or the certificate of their aharea at the lateat

by Tuesday, May 14, 1996 at the depositary below

addition to the simultaneous creation of conditional

or with the company or with e Germen notery or e benk until the end of the Annual General Meeting. The depositary in the United Kingdom is Deutsche Bank AG London.

Sheres can elso be deposited properly if with the consent of a depositary they are blocked by e bank until the end of the Annual General Meeting.

A copy of the annual report as well as admission cards for the Annuel General Meeting can be obtained from Deutsche Bank AG London, 6 Bishopsgate. London EC2P 2AT.

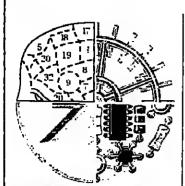
Stuttgart-Möhringen, April 11, 1996

Daimler-Benz Aktiengesellschaft The Board of Management



TECHNOLOGY

Worth Watching · Vanessa Houlder



Japanese theory to brain mystery

One of the mysteries about degenerative brain diseases, such as BSE in cattle and Creotzfeldt-Jakob in people, may have been solved by a Japanese research team, Clive Cookson

Such diseases are caused hy infectious protein particles catted prions, which convert a harmless brain protein into a lethal form. simply by changing shape. But no one knows the normal role of this prion protein.

Shigeru Kataorine and colleagues at Nagasaki University medical school report in Nature today that genetically engineered mice, which lack the gene for prion protein, behave normally until they are about 70 weeks old. Then they develop ataxia (impaired motor co-ordination) and become increasingly unsteady

on their feet. Post-mortem examinations show an extensive loss of so-called "Purkinje neurons" -hrain cells required for motor co-ordination - in the mice. The scientists conclude that normal prion protein plays a role in the long-term survival of these

Curiously, two other research groups have produced mice lacking the same prion protein gene, which show no symptoms of

The Japanese pnt forward several possible reasons for the apparent discrepancy, including differences in genetics and breeding conditions between the laboratory strains used. Shiyeru Kotamine: Jopan, tel 958 497058, tax 958 497060.

2D converted into 3D

Xenotech, a Perth-hased developer of a three-dimensional television system, has developed a process for converting two-dimensional

film and video into a form that can be viewed in 3D. The viewer can see the converted image in 3D on a standard television using special glasses: alternatively, it can be seen on a dedicated Xenotech

creen without special glasses. The main weak spot of the system – which uses two projected images, one going to the viewer's left eye and one going to the right eye - is that only one person can watch the screen at a time. Its earliest applications are likely to be in video arcade games

The Xenotech system was licensed to Samsung of South Korea io 1994. Nenotech: Australia, tel 94463366: fax 94163340.

Laminated glass shuts out noise

The noise levels in buildings could be cot down significantly hy using a newly developed laminated glass, according to a Derby-based specialist.

The Whisperply system developed by Plyglass is made of two sheets of glass separated by a tayer of transparent resin. Plyglass says that the Urree-layered glass is more effective than traditional double glazing in sbutting out traffic

In very noisy environments. such as airports and factories, it can be used in double glazing units filled with an inert gas to ent down noise levels even further.

Plygluss: UK. tel (0)1773 520000: fax (0)1773 520052

The wind blown out of camping

Trying to heat food or water in a gale can dampen the enthusiasm of the most ardent camper, Camping Gaz has tackled the problem by launching a flameless portable stove that can safely cope with wind speeds of up to 10 metres per second and temperatures of minus 8°C. The Trek 270 stove, which costs £49.95, generates heat from a reaction between gas and a catalytically-coated material. The

heat is radiated by the burner through a vitro ceramic glass cover directly into the base of a pan, similar to the workings of a balogen boh Comping Gaz: UK, tel (0)1753 691707: fax (0)1753 691671.

described as radio with pictures. But a new digital broadcasting system could introduce radio receivers that can display moving video pictures. It may also bring a new way of delivering data to users of mobile computers and other portable digital

The digital audio broadcasting (DAB) system is a European standard for a digital radio system that could one day replace existing analogue AM and FM services.

Analogue services transmit sound in the form of a wave, but DAB transmits audio in the form of computer code. As a result, DAB offers interference-free sound whose quality is close to that offered by the compact disc.

A number of countries are running DAB trials or services, including France, Germany, Norway, Switzerland, Canada, South Africa and the UK. Electronics companies such as Philips. Sony, Panasonic, Grundig and Pioueer are developing DAB receivers, which are expected to reach the consumer market within the next 18 months.

So far, DAB has been promoted as a radio system. But earlier this year, the German electronics company, Rohert Boscb, and the national telephone company, Deutsche Telekom, demonstrated that It could also be used for transmitting full-motion video pictures to moving vehicles.

The modified DAB system dubbed digital multimedia broadcasting or DMB - can also transmit sound, data, text, graphics or still video pictures. DMB uses the flexibility offered by the DAB standard and digital technology. DAB allows up to six stereo audio channels to be combined or multiplexed into a single data stream.

Moving video pictures require much more data than sound, so DMB uses all six data channels to transmit a single video programme with sound. A conventional DAB receiver normally processes the six data channels separately, but Bosch has developed a special DAB receiver that can handle all six data channels together. The receiver has the equivalent computing power of several personal computers.

Before transmission, the video is compressed and combined with audio and other data, including an error protection system that corrects transmission errors. The combined video, audio and data package falls within the DAB specification for data transmission.

The picture quality offered by DMB is equivalent to the VHS video format, but Bosch and Dentsche Telekom say this is adequate for small and medium-sized screens. What is more, improved compression systems could bring broadcastquality video pictures.



The wireless with moving pictures

Digital multimedia broadcasting can open a new era of sound and image transmission, writes George Cole

In the demonstration hosted hy Bosch and Dentsche Telekom, the DMB system was compared with the analogue PAL television format used hy most of western Europe. A specially developed DAB receiver was set up in a car, which was driven at high speed. When the PAL pictures were displayed, they suffered from interference, but the DMB images were clear. This is due to the way the analogue and digital pictures are transmitted.

The PAL picture signal is in the form of a wave, and this can be reflected off hills and high huildings, causing effects such as picture roll, loss of colour and ghosting. which forms shadow images.

But DMB uses a system that splits the video signal into hundreds of small data packages which are transmitted separately. The packages are reassembled by the modified DAB receiver. The advantage of this system is that any transmission errors will affect only a small portion of the signal, and this can be patched up. DMB technology may be elegant.

hut has it any practical applica-tions? Bosch and Deutsche Telekom think so. "Critics are hound to ask: do people really need full-motion picture reception in a car? Wouldn't it distract the driver?" says Gert Siegle, director of research and advanced development at Bosch.

"No one thinks anyone should watch television while driving, but being able to watch news, information or entertainment programmes while riding on public transport or even in the back seat of a car would be an interesting alternative for

DMB could also be used for a new generation of car information systems that employ speech or pictures to inform drivers about traffic conditions, detours or parking, says

Attention is also turning to using DAB for data transmission services. DAB's relatively fast data rate around 60 times faster than fax or 40 times faster than the input rate (from a modem) of most personal computers - means that it could be used for delivering large amounts of -fanciful after all.

data to mobile computer users. "Surveys have revealed that highly mobile people are especially interested in having the services they use at home or at the office available while on the road, too," says Siegle, Bosch and Deutsche Telekom suggest computer users could subscribe to a raft of wireless data services delivered by DAB. Siegle thinks pocket-sized DAB data receivers equipped for fax reception may also become available.

DAB is compatible with computer language used on the Internet. This means companies providing information and services on the Internet could also transmit them via DAB. "We could see PC manufacturers introducing computers with built-in DAB cards for receiving data in this way. Data services will be an important part of DAB," says Mike Thorne, radio business manager of NTL, the UK broadcasting and tele-

communications company. If developments such as DMB become available, the idea of watching your radio may not seem so

Skin cancer chaos

mich study

haos theory, the study of non-linear systems, has found uses ranging from finance to engine design. Now Russian scientists and their partners in an EU-funded project are hoping that chaos theory can belp detect skin cancer.

At present, anyone with suspected skin cancer has to undergo a biopsy. But a team of scientists taking part in the EC's Esprit programme believe they can provide doctors with a detailed picture of hidden tissue atructures by shining light at the skin and using their understanding of chaotic systems to analyse the resulting image. The diagnostic technique, called optical tomography, has been developed by scientiats at the Solvay Institute in Brussels and the Institute of Applied Physics in Nizhny Novgorod, working in conjunction with the National

Hospital in Athens. It involves shining infra-red light on the auspected cancer and capturing the scattered rays using a highly sensitive interfer-ometer. The resulting data can-not be analysed using classical mathematics, since the light is highly scattered in the tissue. That means that the trajectory of individual photons is chaotic, and so extremely sensitive to infinitesimally small changes in initial conditions.

Instead, the mathematicians have used their expertise in chaos theory to make sense of the available data, which includes the intensity of the dispersed light, the arrival time of the photons and the optical interference patterns they pro-

The resulting algorithms have allowed scientists to visualise accurately very small details in skin to a depth of 0.8mm. "The first experiments are highly encouraging," says Ioannis Antoniou, deputy director of the International Solvay Institutes for Physics and Chemistry.

He believes that a prototype that can detect changes in tissue several millimetres below the skin surface will be produced within three years.

Vanessa Houlder

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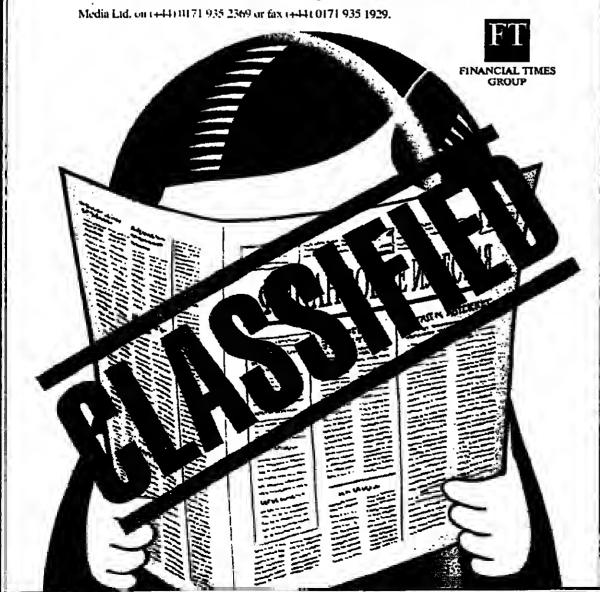
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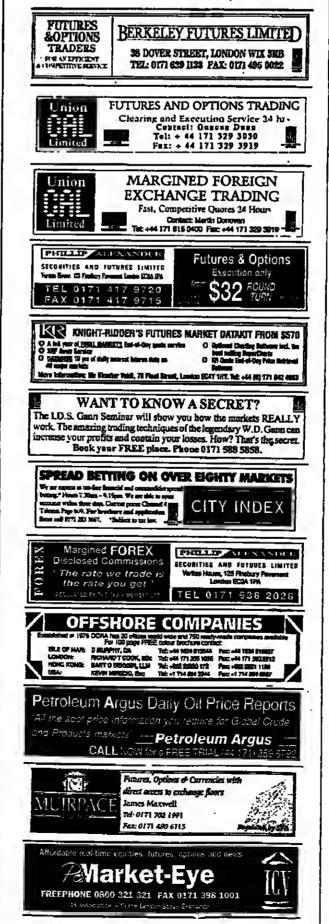
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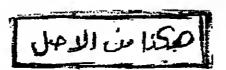
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FINANCIAL TIMES THURSDAY APRIL 11 1996

COMMODITIES AND AGRICULTURE

Dutch study highlights EU farm policy cost |Fund manager predicts price

"We have to wait and see

The Common Agricultural Policy costs the average Dutch family about 7 per cent of their disposable income, according to a report for the Netherlands' Consumer Organisation.

The study is believed to be the first ontside Britain to assess the costs of the CAP for the population of an individual member state. Last year the UK's National Consumer Council calculated the CAP was costing the average family nearly £20 a week in taxes and

inflated food prices, despite the MacSharry reforms of 1992. The Dutch report said the CAP cost a family with two children at least Fl 3,200 (US\$1,720) in 1993. That took account of the costs to consumers and taxpayers of all farm commodities and included price support and other subsi-

dies. Mr Bart Knijpers, co-au-

thor of the study, said the cost

could have fallen since the 1992

reforms, which cut price sup-

port while compensating farm-

ers. But no figures were yet

available to indicate this.

whether the reforms are really effective in reducing the cost, but even 45 per cent of disposable income would be a large amount of money," he said. The study concludes that farm support policies are very costly and largely ineffective in

ably-priced food. It recommends agriculture be treated like any other economic sector and points out its importance decreases with gen-

achieving their stated aims.

such as enhancing rural living

standards and ensuring reason-

of agriculture in total employment fell from 41 per cent in 1901 to 6 per cent in 1990.

Controversially, it argues that "the economic vitality of rural areas does not depend on agricultural production" provided transport and communications are available, as manufacturing and services are shifting to smaller communi-

The report says better alternatives to the CAP are available, such as direct income

eral economic growth. In support for full-time, small-France, for example, the share scale farmers. The idea of targeting help at smaller farmers has been revived recently by the European Commission but is strongly opposed by conntries like the UK where farms are relatively large.

The Costs for Consumers and Taxpayers of the Common Agricultural Policy of the European Union: the Case of the Netherlands. Erasmus Centre for Economic Integration Studies. Erasmus University, PO Box 1738, 3000 DR Rotterdom. Tel 31 10 408 11 11. Fax 31 10 452 02 04.

costs are actually lower overall

because of the superintensive

breeding, aays Ms Collete Tzuria, a Jewish Agency offi-

cial who oversees the agricul-tural development of the

Negev. Currently the fish is only marketed domestically.

but according to Ms Tzuria, the

agency plans to replicate the pools throughout the desert

and one day export both the

fish and the technology. The buhhle pools have

received much attention from

outside Israel, but Mr Mires of

the ministry of agriculture is cautious about the immediate

application of the technology

to other countries. "It is not

enough to have technolo-

gy. . . in any intensive system

you must have highly educated

people running it," be says,

noting that the procedure,

which he bopes to see used elsewhere in the Middle East,

will have to be introduced on a

step-by-step basis.

rises for gold and base metals By Kenneth Gooding, Gold price (\$ per tray aunce)

Mining Correspondent

Base metals and gold producers can look forward to higher prices in the next few years, according to executives at Mercury Asset Management which manages £1.6bn-worth of investors' money in specialist mining funds and trusts.

Falls this year in the prices of metals traded on the London Metal Exchange - aluminium, copper, lead, nickel, tin and zinc - represented "just a mid-hull market wobble," says Mr Graham Birch, manager of the Mercury World Mining Trust.

Leading economic indicators suggest that global economic activity is picking up again, always a good sign for base metals demand, he says. Meanwhile, the running down of excess stocks, which accounted for some of the apparent fall in demand in the past six months. should be completed by the second quarter of this yes

Mr Birch points out that, in order to return to their previous peak in nominal terms, base metals prices would have to rise by about 47 per cent from present levels. To reflect the 1988 peak in real terms, after allowing for inflation, the upward move would have to be

89 per cent. While agreeing with those analysts who suggest that cop-per will probably be in overenpply in 1997 and 1998, Mr Birch warns that production of the metal is concentrated in relatively few geographic centres and supply can be unpre-dictable because of unexpected interruptions. He says the col-

Ispse of copper production in Zaire and on the island of Bougainville, Papus New Guinea, were two examples of hig supply interruptions. "It is dangerous to assume that the [copper] price will go down

1972

in the next few years."

sate for US inflation, gold should have been at \$433 an ounce at the begining of this year, be suggests. "And gold is much cheaper in yen and [French] francs and other strong currencies." Last night gold closed in London at

next year."
Mr Julian Baring, a director
of MWMT, is equally sanguine
about gold. He says: "There is a reasonable chance that we shall see the gold price closer to \$500 fa troy ounce] than \$400 This is because gold tradi-

tionally has retained its purchasing power and the price bas been lagging that long-term purchasing power since 1990. If it was to compen\$395.20 an ounce.

47% gain

Mr Baring says that traditional buyers of physical gold in regions such as the Middle East and India mop up the metal when they feel that prices are low and provide a firm "floor" for the price. However, price rises need the involvement of investors

because there has not been one previous gold price peak where

Desert sun tips the scales for Negev fish farmer

Mark Dennis relates an unlikely success story set on the Egyptian-Israeli border r Yitzhak Levy is an improbable farmer in what most would closed warm water ponds — what most would with the world for improbable farmer in what most would closed warm water ponds — The 29° C water is part of an integrated system that first don't grow in the winter the world for integrated system that first don't grow in the winter the world for improbable farmer in what most would be a simple farmer in the world for improbable farmer in what most would be a simple farmer in the world fa tem is more expensive than traditional pools, production

consider an impossible place to cultivate his primary crop: fish. The deeply-tanned fish farmer lives in the Negev desert in southern Israel, an area that receives acant annual rainfall and is miles from any body of water.

The arid environment may seem an odd place to breed fish, but not only is Mr Levy'a fish farming technique working and profitable, its proponents say its superintensive method is producing yields far beyond those of similar ponds in more traditional settings.

At the Nizzane Sinal farming settlement on the Egyptian-Israeli border, where Mr Levy and his colleagues live and work, eight green bubbles rise from the dusty land, a distinct fishy smell wafts through the air and the whirring of fans nunctuates the surrounding silence. The bubbles house ponds teeming with tens of thousands of tilapia and carp. Made of green plastic sheets and supported by ventilation, the computer-controlled bubble ponds use the desert's one great resource, sunlight, to heat the water inside.

The desert farmers, part of a government-funded programme to develop agriculture in the Negev, claim their intensive techniques have the high-

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Open int.

US\$650,000 pool produces eight to ten tonnes of fish annually. A similar sized pool only a few bundred kilometres north in the Galilee region of Israel

heats greenhouses before going to the pools. It is then circulated through a biofilter. About 10 per cent new water is injected through each circula-

because of to the cooler temperatures. In the desert bubble pond, where the farmers can control the climate and grow fish year-round, a tilapia will

Yitzhak Levy's superintensive farm is not only

profitable but is producing yields far beyond those of similar ponds in more traditional settings

would produce around four

Tha bubble technology is attracting attention as a potential way to help alleviate depletion of global fish stocks and feed rapidly growing popula-tions, especially in the semiarid states where it is most applicable. The closed ponds, in which water is circulated through filters, use water more efficiently than open ponds, where a constant flow of water is needed.

The only alternative to this acute problem [of fish stock depletion] is aquaculture," says Mr Dan Mires, head of the fisheries department at the ministry of agriculture. And with water scarcity; more people need to look at closed water systems." The water in the Nezzane

Sinai farm is pumped from brackish geothermal wells pretion, with the waste water going to irrigate crops.

According to Mr Levy, the

key component is the bio-filtration system, a natural cleansing system, because the ponds do not have constant replenishment of water. The biofilter allows the ponds to retain the same water by using bacteria to degrade organic material produced by the fish. The bubbles maintain water temperature between 22° and

27° C, ideal for growing warm water fish such as tilapia, a hardy species originally from Africa. The plastic harnesses the sun's radiation to warm the pools, especially during the winter, when night-time tem-peratures can dip below freezing. Its green colour filters out rays that create photosynthesis, reducing the amount of

in open ponds, where a tila-

grow to its full size of 500 grammes in ona year.

The entire system is antomated, and a computer monitors everything from oxygen and pH levels to temperature and nutrition, adjusting the environment accordingly. Paddle wheels churn in the centre to introduce extra oxygen to the water. Ventilators blow in air to moderate the tempera-

Because the superintensive environment is so delicate, with a shutdown quickly leading to a lot of dead fish, Mr Levy has a back-up generator and a computer in his house in case anything goes wrong. In addition, only inexpensive fish like carp and tilaple are bred while the system is still in its infancy. Once it becomes more foolproof, more expensive species will be introduced. While the sophisticated sys-

Mr Levy, who three years ago knew nothing about fish, is

more optimistic. Standing outside one of his bubble ponds, he looks westward to the Egyp-tian border, a few hundred metres away. "The technique is simple," he says, squinting into the setting sun. "And what's the difference between the desert there and the desert

MARKET REPORT

White sugar steady after early plunge

The London Commodity in the New York market. Exchange's nearby white SUGAR contracts remained steady yesterday afternoon after falling dramatically earlier in the day. Traders said good support was found at the day's lows and the market helped by a more bullish tone

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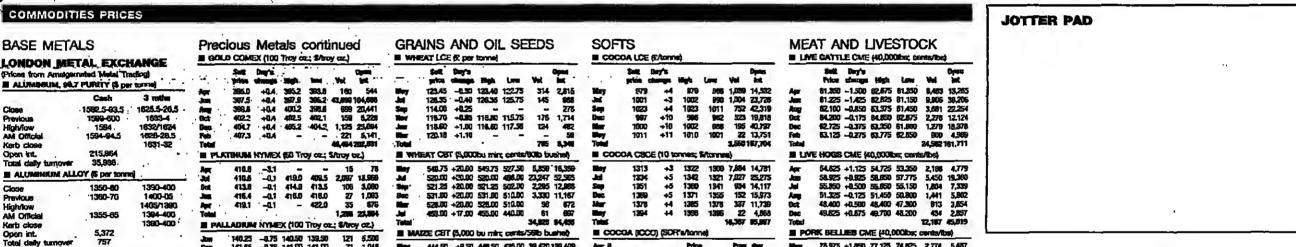
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The May contract dropped \$10 to \$398 a tonne in the first 30 minutes of trading but trade buying at the lows pushed valnes back above the psychologically-important \$400 level. Short-covering and specula-tive buying on the New York

raws market was said to have contributed to a steadier tone in London's afternoon trade. The London GOLD price was stuck in a narrow range but dealers said there was room for a dip below technical support at \$394 a troy ounce. Compiled from Reuters



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Gold Cols

LONDON BULLION MARKET (Prices supplied by N M Rothschild) Gold(Troy oz) \$ price Close 385.00-395.40 394.60-384.90 394.55 394.55 Day's High 385.10-395.40 Day's Low 383.70-394.00 Previous close 396.80-397.00 Loco Ldn Near Gold Lending Rates (Vs USS) 3.91 Silver Pbx Spct 3 months 6 months

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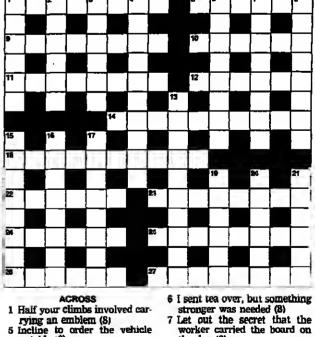
LONDON SPOT MARKETS E CRUDE OIL FOS (per barrel) +014 \$18.24-8.27x \$22,57-2,63 521,82-1,88 524,05-4,10x ■ OIL PRODUCTS NWEprompt delivery CIF (tonne) \$232-234 Premium Gesoline Ges Of Heavy Fuel Of Naphtha Jet fuel \$107-109 \$204-207 \$210-211 Diesel

NATURAL GAS (Pence \$168-200 10,612 66,125 132.45 +1.40 133.00 130.70 818 12.185 130.45 +0.96 131.50 129.10 279 5,032 128.53 +1.15 130.20 128.75 18 2,609 126.60 +1.10 127.00 126.60 1 807 Petroleum Argus. Tel. London (0171) 359 8792 ■ OTHER 13 3,083 1 182 800 24,034 \$138.00 -1.50 119.0c Lead (US prod.) Tin (Kuala Lumpur) Tin (New York) 45.00c 15.98 301.5 -1.0 Casse (five weight) Sheep (five weight) Pigs (five weight) -8.19° +16.73° 112.270 3.54 Lon. day sugar (raw) Lon. day sugar (whe) Barley (Eng. feed) Matze (US NoS Yellon \$301.8 \$405.0 -11.1 Unq 148.5 Unq. Wheat (US Dark North Rubber (May)♥ Rubber (Jun)♥

97.75p 97.75p 385.50m +0.25 -1.50 Coconut Of (Phil) \$745.0 -10.0 Paim Oil (Maley.)§ Copra (Phil)§ Soyubeans (US) \$532.5 470.0v 225.0v +2.5 Wookops (S4s Super)

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Jan. © London Physical. S CIF R
sloos. * Change on week. 1889

CROSSWORD No.9,040 Set by ADAMANT



1 Half your climbs involved carrying an emblem (8)
5 Incline to order the vehicle 9 Lose current name at centre 8 The result of not overdoing it?

of platform (8) 10 Refuse a stretcher (S)
11 Spoil period spent round island in the sea (8) 12 Get back, for example, into the shower (6) through (8)

14 Because of roadworks, is sent 16 The Chinese get into real on detour? What ingenuity!

18 Jack's petition for annulment 22 As ties loosen and break (6) 23 To restrict supplies to a stu-dent is sensible (8) 24 The groups set out after a month (6)

25 Knight, like a bundred others imprisoned, is feeling worse 28 Mislead, having taken the first steps back with due 27 Hold an alien in custody with

computer technology (8) DOWN 1 Source of oil in troubled Middle East seas (6) 2 Poor in quality - only contains silver....(6) but gold (not available,

note) is rich looking (6) Hint that I'd go in and make

the day (8)

trouble (8)

(9) 20 Officer's flag (6)

other crate? (6)

13 Caught the speech, which included On the Making of a King' (10)
15 Father's blade should get you

17 Having put it in the oven, the

man got very excited (8)
19 Choose the French condiment

21 Could it have been left in the

INTERNATIONAL CAPITAL MARKETS

European sector shrugs off weakness in US

By Samer Iskandar in London and Lisa Bransten in New York

US Treasuries yesterdey resumed their downward slide. but most European markets closed higher, lending further credence to the view that they are "decoupling" from the US German and French bonds weakened in mid-afternoon. but quickly regained their footing to end the day above Tuesday's closing levels.

The strength of the dollar was a dominant factor in an otherwise quiet day, allowing peripheral European markets to outperform bunds. The US currency set records at more than DM1.50 and Y108.65. its highest levels in more than two years.

More worries about the potential for an increase in inflationary pressures in the domestic economy caused US Treasury prices to give back all of Tuesday's gains in early trading vesterday. Near midday, the benchmark

30-year Treasury was off 🖫 at 88%, to yield 6.876 per cent.

while at the short end, the twoyear note fell & to 100%, yielding 6.041 per cent. The June 30-year bond future slipped % to 1094

GOVERNMENT **BONDS**

At mid-morning, the labour department released a downwardly revised estimate of nonfarm business productivity, which sparked fears that the days of moderate economic growth combined with low inflation were ending.

Fourth-quarter productivity

fell 1 per cent in the fourth quarter, compared with the labour department's earlier estimate of a 0.5 per cent decline. Productivity increased 1.1 per cent for all of last year. The productivity figures. combined with the strong February and March employment reports, served to intensify speculation about figures on producer and consumer infla-

tion figures due out today and

tomorrow. Economists expect e

0.4 per cent increase in the pro-

cent rise in the consumer price index for March.

Analysts said that if either of those figures was much stronger than estimates, it could spark another sell-off on the

■ Garman bonds opened higher and traded up most of the day following the release of data showing that unemployment had increased by 27,000 in west Germany in March. higher than economists bed predicted. Liffe's June bund future settled at 96.48,

In the cash market, the annualised yield premium of Treasuries over bunds widened 5 basis points to 27, which intensified the debate among analysts on whether bunds had decoupled" from US Treasury dominance. Only a few days earlier, Treasuries were still trading at a yield discount to

Analysts at Deutsche Morgan Grenfell in Frankfurt argued that although bunds might continue to outperform

ducer price index and e 0.3 per the US market in the short hy 2 basis points to 12. Some term, they did not "see chances of a real decoupling". Mr John Shepperd, chief economist at Yamaichi in London, said he believed decoupling had taken place, and pointed to hunds' resilience following the recent sharp fall in the US market.

However, be said he did not expect German bonds to continne to outperform Treasuries because a comparison of economic fundamentals in hoth countries suggested that a in the 20 to 30 basis point

French OATs continued to show the strongest performance among "core" European markets. Rumours that the Banque de France was selling French francs to stem the currency's rise against the D-Mark fuelled expectations that the central bank would cut its intervention rate today.

Matif's June notional future settled at 122.10, up 0.32. The 10-year benchmark OAT rose 0.31 point to 105.03, narrowing the spread over 10-year bunds

analysts now predict even yields between France and Germany in the near future. a view not shared by Mr Sheoperd. He said he believed any tightening to below the 10 basis point barrier "would be hard to sustain".

European high yielding markets, led by Italy, continued to outperform most other bonds. June futures contracts on Spanish honds and Italian BTPs settled up 0.18 and 0.54, et 96.82 and 110.43 respectively. The BTP contract continued to rise, to as high as 110.55 on APT, Liffe's after-hours screen-

hased trading system.
The Swedish 6 per cent benchmark bond due 2005 rose 0.45 point to 85.10, yielding 8.46

Ms Yasmine Ravai, a fund manager at Crédit Lyonnais Asset Management, said that high yielding markets, notably Sweden and Spain, "are sup-ported by a firm political commitment to rigorous budgetary policy".

Several market professionals

agreed that these markets had been "discounting a European monetary union scenario", and one trader added that there was "strong momentum behind the recent tightening, with potentially another 200 basis points before the gap [between Swedish and German yields) is filled".

However, Ms Ravai warned that the strongest performers of the last three months could be the most exposed to a correction if monetary union was

UK gilts, lacking direction despite having opened up on Tuesday's levels, trailed weak US Treasuries. The March CBI Distributive Trades Survey, showing an easing in the growth of spending, failed to inspire the market.

The June long gilt future, listed on Liffe, ended the day at 105½, up ½. It had started the day the day on a more positive note, trading as high as 105%. But sterling's weakness on the foreign exchange markets and political risk prevented gilts from rising further.

Liffe launches trading in fungible euroyen contract

By Richard Lapper

The launch today of trading in the euroyen contract at the London International Financial Futures and Options Exchange (Liffe) could strengthen the City's position as the international centre - outside Japan of yen-denominated swaps and currency business.

The contract, the second most popular money market future in the world, is listed at the Tokyo Internetional Financial Futures Exchange (Tiffe) and is being traded in London as part of a link agree-ment between the two

Mr Philip Bruce, managing director of strategic business development at Liffe, predicted that demand for the contract would come from swaps and currency traders who bought and sold the contract in order to hedge their own exposures with other banks and commer-

Some \$2,000m of yen interest swaps were outstanding at the end of 1994, with epproximately 40 per cent of end users located outside Asia, most of them in London.

The euroyen contract is fully "fungible", allowing dealers to transfer open positions hetween the two exchanges. Trading on the Liffe floor will take place between 9.00am and 4.00pm, resuming in Tokyo between 9.00am and 6.00pm Japanese time.

Open interest in the euroyen contract - currently amount-ing to 1,216,000 contracts - is to be transferred back and forth between Tokyo and

London. However, unlike the mutual offset system used in other international link-ups, clearing will take place only in Tokyo. Liffe members must sign a legal agreement - a "linked clearing agreement" - with e

Tiffe member in order to clear their contracts in Tokyo. Liffe said yesterday that some 60 of its members had signed such

pollar rallie

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Liffe clearing members will pay Y50 "per side" - Y50 for each contract bought and Y50 for each contract sold - while Tiffe members will pay the same amount to the Tokyo exchange

Liffe already trades the Japanese government bond future the JGB - in London, through an agreement with the Tokyo Stock Exchange signed in 1987, but the contract is not fungible and positions do not roll over eutomatically from London tra Tokyo. Average daily volume of JGB futures traded in London amounts to 4,000 contracts.

Mr Bruce said Liffe would like to contribute greater liquidity to trading in the back months of the euroyen contract. Like Liffe's existing short-term contracts it is listed over three years and has 12 separate delivery months. "We see an opportunity for Liffe locals to make a market in the back months," he said.

Liffe began working three years ago on its link-up with the Tiffe, which lists the contract as part of international links with other exchanges, and signed an agreement last

Later this year, it plans to begin limited floor trading in the US T-Bond futures contract in London as part of a similar alliance with the Chicago Board of Trade (CBoT). The CBoT will in turn trade some of Liffe's main contracts on a limited basis during the Chi-

• Meff, the Spanish derivatives exchange, and Liffe said yesterday they had established a study group to look at possibilities for co-opera-

Apr 10 Apr 9 Yr. ago Apr 10 Apr 9 Yr. ago Apr 10 Apr 8 Yr. ago

Polish Brady bonds rally sharply on ratings upgrade

By Conner Middelmann

The Republic of Poland's outstanding dollar eurobonds and Brady bonds rallied sharply yesterday on the deci-sion by Standard & Poor's, the rating agency, to lift the country's debt rating by two notches into investment-grade territory.

INTERNATIONAL BONDS

Although Moody's has ranked Poland an investmentgrade Baa3 since the country was first rated last summer,

the fact that both agencies now concur on its investment-grade status has enhanced its perception in the eurobond market. S&P raised its long-term forelgn-currency credit rating to BBB- and assigned a BBB- rating to Poland's Brady bonds, which rallied by about 3 points on the news. The moves 'reflect the economy's continuing dynamism and dramatic-

ally improved external flexibility" and are "further supported by a calmer political environment." S&P said. The announcement caused the spread on Poland's 7% per

cent eurobonds due 2000 to

tighten to 80 basis points over

basis points before the announcement. The \$250m issue was launched last June via J. P. Morgan at e spread of 185 basis points over US government bonds.

Poland is likely to reap the benefits of the latest rating action when it issues its first D-Mark enrobond, rumoured to be in the order of DM300m to DM500m with maturity of up to five years and expected within the next two months, "Banks will have to adjust their pricing parameters for the D-Mark issue," said one syndicate official. Greece, which has the

same ratings as Poland, is seen

NEW INTERNATIONAL BOND ISSUES										
Borrower US COLLARS	Amount ns.	Compan %	Price	Maturity	Fees %	Spread	Book-numer			
Finnish Export Credit	200	6.625	100.28R	May 2000	D.225R	+16(1)	Sakura Finance international			
D-MARKS World Bank OECC(a) City of Tallinn(b)	300 125 60	5.25 3.375 8.00#	99.77R 96.48 100.00	May 2001 Jun 2000 Apr 1999	0.25A 2.50 0.875	+15(5%%-00)	Beyerlache Vereinsbank Dautsche Morgen Grenfell Normura Benid(Deutschland)			
SWISS FRANCS L-Benks)	150	3.75	102.55	Nov 2001	2.00	-	UBS			
TTALIAN LIRE World Bandol	200bn	(c1)	100.28	May 2003	0.35		Credito Italiano			
PESETAS European Investment Bankfd)	10bn	7.50	97.80	Mar 2001	1.625	-	Birnco Central Hapano			
Final terms, non-callable unique	es stated. Y	leid spreed	fover reli	Went dovern	ment bor	nd) at faunch i	smoled by lead manager, a			

Floating-rate note. Semi-arrusif coupon. R: fixed re-offer prior; less shown at re-offer level, a) Fungible with DM275m. Plus 325 days accrued, b) Amortises DM12m semi-arrusity from 16/4/97, c) Callable arrusity from 30/5/97 at par. c1) 3-mth Liber +Step, max 12%. d) Fungible with Pta60on, Plus 60 days accrued, § Over interpolated yield, a) Short 1st coupon. as a pricing benchmark: it market with a DM60m issue of issued DM1bn of seven-year

bonds yielding 100 basis points over bunds in January. Yesterday's other eestern European news was a debut deal for the City of Talling. which became the first Esto-

6 per cent amortising bonds with a final maturity of three years. The bonds were priced at par to yield the fixed-rate equivalent of six-month Libor plus 1.76 per cent, according to lead manager Nomura, The bonds were placed among Esto-

nian institutions. German retail accounts and UK-based emerging-markets funds. The World Bank issued DM300m of five-year bonds through Bayerische Vereinsbank and a L200hn capped floeting-rate note offering via hookrunner Credito Italiano.

BENCHMARK	GOVE	RNME	NT BOI	NDS			M BUND	FUTURES (OPTIONS (LIFFE) DM2:	00,000 pain	ts of 100%			FT-ACTUARIES	FIXED	INTER	EST IN	DICES
	Coupon	Red Date	Price	Day's change	Yield ago		Strikes Price	May	CA	Jul 8	ep Me		PLITS	860	Price Indices UK cares	Wed Apr 10	Day's change 9	Tue Apr 8	Accruse
Austraka	10.000	02/08	06.5120	+0.070	9.00 8.88	8.78	9600	0.72	1.08	0.82 1.	17 0.24	0.80	1,20	1,55	1 Up to 5 years (24)	121,53	+0.10	121,41	2.35
Austria Belgium	5.125 7.000	02/08	97.1100 102. 060 0		6.53 6.48 6.71 6.71		9700	0.41			94 0.4°		1.48	2.12	2 5-15 years (18) 3 Over 15 years (8)	145.41 150,37	+0.26	145.05	
Carada ' Denmork	6.750 8.000		06.6500 103.4200	+0.050	7,75 7,59 7,50 7,49	7.54	Est. wal. too	d, Cufu 1413	35 Puts 1186	2 Previous d	ny's open tro	. Call 3407	9 Puts 199	648	4 (medecrnables (6)) 5 All stocks (58)	183,03	+0.27	182.54	3.82
France BTAN DAT	5.750 7.250	03/01	00.3750	+0.300	5.87 5.68 6.55 6.54	5.84	Italy									140,83	.40,22	1~0.02	_ 2.63
Germany Bund	8.000	02/08	96.8000	+0.120	6.43 6.40	641		Lira 200m		BONE (STE	FUTURE	s			Index-Bolard				
tretand Italy	9.500	03/06	85.3600	+0.370 10	7.96 8.00 0.26† 10.51	10.33	(2114)	Open	Set price	_	High	Low	Est. voi	Open int.	8 Up to 5 years (1) 7 Over 5 years (11)	187.89	+0.03	187,64	
Japan No 129 No 192	3.000	03/00	16.4090 96.5510	+0.180	1.91 1.75 3.20 3.08	3.39	duri	110.20	110.43	+0.54	110.60	110.06	38155	45320	8 All stocks (12)	185.85	+0.23	185.42	****
Netherlands Portugal	6.000 11.875	01/08	97.1200 15.2000		8.40 6.39 8.27 8.46		Sep M (TALIA)	GOVT. BO	109.88 PFTE CMO	+0.54 FUTURES	OPTIONS (uffe Und	0 00m 100 0 h	258 a of 100%	Average grows recimpoton y	was are show	n poore, Co	rbots Barrollo	LOW: U%-7%
Spain Sweden	6.000		85.1020	+0.220	9.46 8,65 8.46 8.48	9.66	Strikes			118			PUTS -						
UK Gits	8.000 7.500	12/00	102-00 95-25	+4/32	7,48 7,44 8.10 8.11	7.27 6.01	Prior 11000		Jun 1.65	Sep 2.39		Jun 1,22		Sep .51	-		-		
US Treasury	9.000 5.625	10/08	106-03 93-02	+7/32	8.16 5.21 6.59 6.33	8.14	11050	1	.38	2.16		1.45	2	.78	FT FIXED INTE	10 Apr 9		or 3 Apr	2 Yr 800
	6.003	03/26	88-28	-11/32	8.68 8.66	8.51	11100 Est vol top		1.13 ' Puta 4023.	1.94 Previous day	s open int., (1.70 Calls 60743 P		.08		8 92.27			
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* Gross including within these LCS, Un in 10 mos.			nt payable t	by Parreside		S International		IAL SPANI	SH BOND	FUTURES (MERF)				for 1995. Government Secu- 15/10/26 and Flood Interest	1929. SE wet	ty indices re	besed 1974	, north 104 -
US INTEREST								Open	Sett price		High			Open Inc.					
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CURRENCIES AND MONEY

MARKETS REPORT

Dollar rallies as sterling suffers jitters

By Philip Gawith

The dollar yesterday rallied to reach a seven month high against the D-Mark, but the upward move lacked momentum and it closed slightly below the key DM1.50 level.

The dollar's rally is being driven by favourable interest rate differentials, compared to the D-Mark, but the upside is capped at present by significant technical resistance. The dollar finished in London at DM1.4997, from DM1.4918, hav-

ing earlier reached an intra-day high of DM15020.

The D-Mark lost ground against most currencies, but its losses were overshadowed by the fall in sterling amid rumours of the resignation of Mr Kenneth Clarke, the chancellor.

The pound finished little changed against the D-Mark at DM2.2750, but was weaker against the dollar, at \$1.5165, from \$1.5250. Later in New York it was trading at

POUND SPOT FORWARD AGAINST

DM2.2650 and \$1.5050. D-Mark's weakness was the Swedish krona, which closed at SKr4.47, from SKr4.501. The Franc closed at a 25 month

from R4.155, against the dollar.

While it remains early days, currency markets appear to have thrown off the shackles which so constricted trading in the run-up to Easter.
Although the dollar's rally

against the yen and the D-Mark enjoys a superficial economic logic, with the US economy much stronger than its G-3 partners, the technical curlock is also formurable. outlook is also favourable. Ms Francoise Skelley, techni-

= Pou	ed in Henr Yor	k .
Apr 16	Integt	Prev. clos
£ spot	1.5165	1,5205
1 1981	1.5159	1.5199
3 mgh	1.5148	1,5187
1 5	1.5095	1,5130

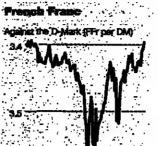
M2 2650 and \$1.5050.

The main beneficiary of the London, notes that prior to last week, when the high-low range Against the D-Mark (FFT per DM) of dollar/D-Mark was only 0.6 percentage points, there had only been four previous occahigh of FFr3.399.

The South African closed at a new historic low of R4.1825, centage points.

On each occasion, the dollar then proceeded to rally 6-12 per cent in the following ten weeks. "When the market coils down, it's like a spring," said Ms Skelley. Her medium term (up to three months) forecast is for the dollar to reach DM1.56/8

pfennig down-move, during 1994/5, from DM1.7685 to DM1.3445. He said neither the weakness of German economic data, nor the strength of the



and Y113.60.

Mr Nick Parsons, currency analyst at Parihas Capital Marmomentum to test this level. kets in London, said the dollar facad heavy resistance at DM1.5065 – a key technical Mr Parsons pointed out that over the past few weeks, there had been the first indications level, representing a 38.2 per of the market buying the dollar cent retracement of the 42.4 pfennig down-move, during dollar deposits are now yield-

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

tials, to be buying the dollar." The long end of the yield curve also favours the dollar. Ten year bunds are now yield ing around 25 basis points less than equivalent Treasury bonds. The last time this occurred was in late 1993, and it was the prelude to a ten per cent upward rally in the dollar, to DM1.75, from DM1.59.

was best illustrated by the per-formance of the lira, which continues to rally despite imminent elections which may Source: FT Bitel well fail to produce a govern-The big loser, though, was sterling. After hitting a seven month high of DM2.2825 against the D-Mark in the morning, it then started to slide after the London close.

Partly this reflected nobody wishing to be long sterling so ing around 200 basis points
more than in Germany. "There
is a very good argument, based
on short-term yield differen-

political resignations, Selli was also accelerated by breach of \$1.5170, an importa

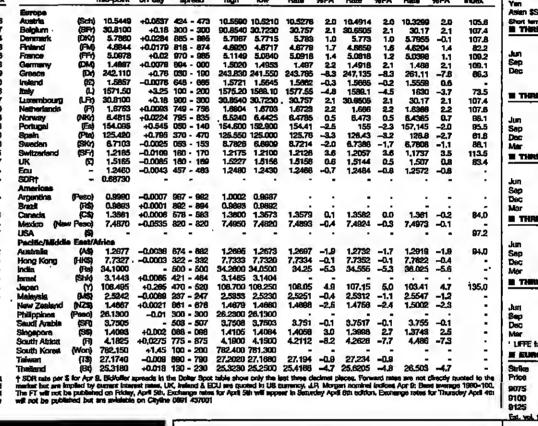
■ Mr Graham Bell, head equities at Standard Bank London, posited three marketers behind the rand's we ness: South African impor accelerating their rand sai the unwinding of speculat ■ The weakness of the D-Mark positions which built up in was best illustrated by the perter; and outright short ter currency speculation. He s there was also evidence of m ket disappointment that Trevor Manuel, the n finance minister, had not be more robust in his rebuttal investor fears that he won

Apr 10	3	\$
Cench Ro	41.4209 - 41.5297	27.3680 · 27.3780
Hermy	219.456 - 219.662	144,760 - 144,810
tree .	4551.70 - 4549.00	3000.00 - 3000.00
Egreak	8.4548 - 0.4554	0.3000 - 0.3002
Potent	19608 · 19675	25125 - 26155
Rennie	7628.82 · 7429.78	4895.00 - 4868.00
UAE	5.5672 - 5.5713	3,5723 - 3,6728

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week ago		4 32	4 <u>4</u> 4%	42	48	3.60		5.60
Germany		% 3 <u>4</u>	34	314	3♣	5.00	3.00	3.30
week 200 Ireland		31	34	34	3.	5 00		3.30 6.25
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week ago		% 1 <u>5</u>	1%	12	10		1 50	-
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week ago		- 5%	51	5%	5 <u>E</u>	Ξ	Ξ	Ξ
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week ago	D -	- 5.13	5.11	5.18	5.41	-	-	-
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	tern			onth	months	month		
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Sep	95.75	95.78	+0.07	95.91	95 75			. 45
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		Sett price	Change	High	Low	Est.		on und
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Sep	98.71							1492
		96,73	+0.D4	96.75	95.71	2596		1482 4152
	96 45	98.47	+0.04	96.49	95.71 95.45	2596 2386	18	4152 8949
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Mar	96 45 96,13 HONTH EU	98.47 98.18 ROLEA F	+0.04 +0.06 UTURIES	96.49 96.17 (LIFFE)	95.71 95.45 96.13 L1000m p	2386 1757 pints of 10	96 18 73 11 90%	4152 8949 0139
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Mar III THREE III Sep Dec III THREE III Jun Sep Dec Mer III THREE III Jun Sep Dec Sep Dec	96.45 96.13 100TTH EU Open : 90.82 81.27 91.28 91.19 100TTH EU Open : 96.18 98.08 97.51 100TTH EU Open : 95.53 95.53 95.32	98.47 98.18 98.17 98.18 FOLERA F 80.85 91.25 91.27 91.18 FOLERA F 98.13 98.02 97.77 87.47 11 FUTURI Sett price 95.56 95.32	+0.04 +0.05 +0.05 +0.04 +0.04 +0.04 +0.04 -0.06 -0.06 -0.03 BS (LIFFE) Chenge +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05	96.49 96.17 (LIFFE)** High 90.88 91.27 91.29 91.18 FUTURE High 98.18 93.09 97.84 97.51 Ecu1m High 95.57 95.32	96.71 96.43 96.13 L1000m p 90.79 81.21 91.22 91.13 BS (LIFFE) 98.11 98.00 97.75 97.45 points of 1 Low 95.52 95.48	2384 1755 1755 1969 244 153 199 SFr1m pc Est, 527 686 155 87 00%	96 1873 11100% voi Opposition 1 2214 150 7 7 9 1115 of 111 111 111 111 111 111 111 111 111	4152 8949 0139 0139 67778 1870 55565 692 0094 00543 1120 691 10 9488 8828 8883
Mar III THREE III Jun Sep Dec III THREE III Jun Sep Dec Mer III THREE III Jun Sep Dec Mer III THREE III	96.45 96.13 100nTH EU Open 1 90.82 81.27 91.28 91.19 100nTH EU Open 2 96.18 97.84 97.84 97.84 97.85 97.84 97.84 97.84 97.84 97.85	99.47 99.18 90.18 FOLER F 90.85 91.25 91.27 91.18 FD SWISS 84t price 98.13 98.02 97.77 19 FUTURI Sett price 95.56 95.52 95.02	+0.04 +0.06 +0.05 +0.04 +0.04 +0.04 +0.04 -0.05 -0.05 -0.03 BS (LIFFE) Chenge +0.05 +0.07	96.49 96.17 (LIFFE)** High 90.88 91.29 91.18 FUTURE High 98.18 98.09 97.84 97.81 Ecu1m High 95.57 95.52	95.71 96.45 96.13 L1000m p 90.79 81.21 91.22 91.13 88.01 97.75 97.45 points of 1 Low 95.48	2384 1755 2445 153 199 2447 153 199 SFr1m pc 527 686 155 87 0096	96 1873 11100% voi Opposition 1 2214 150 7 7 9 1115 of 111 111 111 111 111 111 111 111 111	4152 8949 0139 0139 0139 015565 692 00% 0120 0120 01488 3828
Mar III THREE III Sap Dec Mar III THREE III Jun Sep Dec Mar III THREE III Jun Sep Dec Mar III THREE III Jun Sep Dec Mar Mar	96.45 96.13 96.17 1001TH 101 90.82 81.27 91.28 91.19 10.19 1	99.47 98.18 96.18 Sett price 90.85 91.27 91.18 90.05 90.19 90.19 90.12 97.77 87.47 99.12 97.47 95.56 95.52 95.52 on AFT	+0.04 +0.06 +0.05 +0.04 +0.04 +0.04 +0.04 -0.05 -0.05 -0.05 -0.05 -0.05 +0.07 +0.08 +0.07 +0.08	96.40 96.17 (LIFFE)—High 90.88 91.27 91.18 91.18 98.18 98.18 98.19 97.84 97.81 Ecu1m High 95.57 95.52 95.02	95.71 96.45 96.13 L1000m p 90.79 81.21 91.22 91.13 ES (LIFFE) Low 98.11 98.00 97.75 97.45 points of 1 Loss Loss 95.48 95.30 94.98	2384 1755 1755 1969 244 153 199 SFr1m pc Est, 527 686 155 87 00%	96 1873 11100% voi Opposition 1 2214 150 7 7 9 1115 of 111 111 111 111 111 111 111 111 111	4152 8949 0139 0139 67778 1870 55565 692 0094 00543 1120 691 10 9488 8828 8883
Mar III THREE III Jun Sep Dec Mor III THREE III Jun Sep Dec Mor III THREE III Jun Sep Dec Mor III THREE III LUIFE futurou	96.45 96.13 96.17 1001TH 101 90.82 81.27 91.28 91.19 10.19 1	99.47 98.18 96.18 Sett price 90.85 91.27 91.18 90.05 90.19 90.19 90.12 97.77 87.47 99.12 97.47 95.56 95.52 95.52 on AFT	+0.04 +0.06 +0.05 +0.04 +0.04 +0.04 FRANC Change -0.04 -0.05 -0.03 ES (LIFTE) Change +0.06 +0.06 +0.06 +0.06 +0.08 +0.08 +0.08	96.49 96.17 (LIFFE)—High 90.88 91.27 91.29 91.18 FUTURE High 98.18 93.84 97.51 Ecu1m High 95.52 95.32 95.02	95.71 96.45 96.13 L1000m p 90.79 81.21 91.22 91.13 ES (LIFFE) Low 98.11 98.00 97.75 97.45 points of 1 Loss Loss 95.48 95.30 94.98	2384 1755 1755 1969 244 153 199 SFr1m pc Est, 527 686 155 87 00%	96 1873 1110096 11 37166 2:14 1:50 7 7 9 9 1 1 1 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1	4152 8949 0139 0139 0139 0139 0139 0139 0139 013
Mar II THREE III Jun Sep Dec Mer II THREE III Jun Sep Dec Mer II THREE III Jun Sep Dec LIFFE fraces III IEUROLIII II II IEUROLIII II	96.45 96.13 96.17 1001TH 101 90.82 81.27 91.28 91.19 10.19 1	99.47 99.18 99.18 Sett price 90.85 91.27 91.18 90.27 91.18 90.29 90.77 87.47 99.12 97.77 87.47 95.56 95.52 95.52 on AFT 88 (UFFS)	+0.04 +0.06 +0.06 +0.03 +0.04 +0.04 +0.04 +0.04 -0.06 -0.05 -0.05 -0.05 -0.05 -0.05 +0.07 +0.08 +0.07 +0.08 +0.07 +0.08	96.40 96.17 (LIFFE)—High 90.88 91.27 91.18 91.18 98.18 98.18 98.19 97.84 97.81 Ecu1m High 95.57 95.52 95.02	95.71 96.45 96.13 L1000m p 90.79 81.21 91.22 91.13 ES (LIFFE) Low 98.11 98.00 97.75 97.45 points of 1 Loss Loss 95.48 95.30 94.98	238t 175: 175: 175: 175: 175: 175: 175: 175:	96 1893 11100% 1	4152 8949 0139 9 1870 05585 692 0094 17328 44650 00643 1120 9488 8828 8883

WORLD INTEREST RATES

(Sch) 15,9608 -0.0083 823 - 962 16,0603 15,9795 15,9808 23 15,9783 2.8 27 45,4868 2.6 (DK4) 8,7772 -0.0081 723 821 8,8185 8,7720 8,7856 1.8 8,7408 1.7 8,8342 1.8 (FW) 7,1096 -0.0181 271 -399 7,7798 7,0950 7,0950 7,0952 0,7 7,0911 0.7 -7,7306 -0.0181 271 -399 7,7798 7,7294 7,7178 20 7,895 1.8 7,5948 1.8 (DM) 2,2743 -0.0007 731 -754 2,2867 2,2723 2,2862 2,7 2,2591 9,7 2,2123 2,7 (DM) 367,148 -0.88 918 378 370,914 368,970 (EC) 0,9886 -0.0006 678 -684 0,9701 0,9675 0,9879 0,9 0,9684 0,9 0,9614 8,7 (L) 2363,10 -8,48 164 457 2396,77 2361,58 2391,35 -42 2408,45 -3.9 2459,15 -3.2 (LF) 48,728 -0.0195 776 -680 48,9290 46,8775 46,8188 2,7 46,4088 2,8 (FR) 2,5404 -0.0003 391 417 2,5550 2,5391 2,5345 2,6 2,5292 2,9 2,4705 2,8 (RK) 9,8299 -0.0212 229 3,48 9,9171 9,7932 9,9199 1.1 9,8008 1,1 9,7051 1.3 (Es) 233,677 -0.487 540 -815 235,185 232,546 24,102 -2.2 235,007 -2.3 (SK) 18,018 40,140 61 -325 181,011 190,009 180,628 -2,7 194,48 -2.6 194,293 -2.2 (SK) 10,175 -0.0618 652 -864 10,3129 10,159 10,177 -0.1 10,1787 -0.1 10,1899 -0.1 (C) -1,2717 -0.0027 184 177 1,2239 1,2160 1,2158 1.3 1,2128 1.4 1,1995 1.5 -1,046200 107.7 108.0 98.8 96.6 82.0 89.0 84.8 | Column | C 93.2 134.4 Findes for Apr B. Bidfoffer spreads by the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by ourself interest rates. Sterling index pelautated by the Bank of England. See average 1990 = 100, Index rebesed 1/2/16, Bid, Offer and Mit-rates in both title and the Dofter Spot spike derived from THS WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.7, The F7 will not be published on Fridely, April 5th. Exchange rates for Thursday April 4th will not be published on Fridely.



CROSS	RATES	SANE	DERI	VATIVE	s													
EXCHA	HOE CR	1068	RATES		· :					,								
Apr	10	BFr	DKr	FF	DM	· KE	. L.	H	, NKr	E	Pta	SIG	SFr	£	C#	\$	Y	Ecu
Belglum	(BFd)	100	18.79	16.55	4,867	2.074	5101	5,437	21.04	500.2	407.1	21.79	3.949	2140	4.409	3,247		2.605
Denmark	(DKI)	53.29	10		2.591	1.104	2715	2.894	11.20	266.2	216.7	11.60	2,102	1.139	2.347	1.728	187.4	1.386
France	(FFr)	60.44	11.36	10 . :	2.842	1.254	9683	3.286	12.72	302_3	246.1	13.17	2.387	1,294	2.665	1,962	. 212.8	1,574
Germany	(DMC)	20.55	3.860		. 1	0.426	1048	1,117	4.322	102.8	83.84	4.ATT	0.B11	0.440	0.906	0.667	72.34	0.535
Ireland	(121)	48.21	9.059		2.347	1.	. 2459	2.621	10.14	241.2		10.51	1.904	1.082	2.126	1.566	169.8	1.256
tudy	'n.	1.961	0.36B		0.Ω95	0.041	100.	0.107	0.412	9,807	7.982	D.427	0.077	0.042	880.0	0.064		0.051
Netherlands	(FI)	18.39	3.458		0.895	0.361	936.2	1	3.870	82.01	74.88	4.008	0.726	0.394	0.811	0.597	64.78	0.479
Norway	OVIKA	47.53	8.990	7.884	2.314	0.986	. 2424	2.584	10	237.B	183.5	10.38	1.877	1.017	2.896	1.543		1.238
Portugai	`(Œs)	19.99	3.756		0.873	0.415	1020	1.087	4,208	· 100.	61.39	_ 4.356	0.789	0.428	0.881	0.649	70.39	0.521
Spaln	(Pta)	24,56	4.615	4.064	1.196	0.509	1253	1.335	5.16B	122.9	. 100.	5.352	0.970	0.526	1.083	0.798		0.640
Sweden	(SKA)	45.89	8.622	7.593 . :	2.234	0.982	2341	2.495	9.655	229.0		10	1.812	0.982	2.024	1.490		1.195
Switzerland	(SFr)	25.32	4.758		1.233	0.525	1292		5.327	126,7	- 108.1	5.510	1	0.542	1.117	0.822		0.660
UK	` EŠ	48.72	8,778	7.730	2.274	0.969	2383	. 2,540	9.829	233,7	190,2	10.18	1.845	1	2.000	1.517	164.5	1.217
Canada	(C3)	22.68	4.261		1,104	0.470	1157	1.293	4,771 .	113.4		4,942	0.896	0.485	1	0.736		0.591
US	(20)	30,50	5.786		1,499	0.039	1571	1.674	6.476	154.1	125.4	6.711	1.210	0.659	1.358	1	108.4	0.802
Japan	m	28.40	5.338		1,382	0.589	1443	1.544	15.975	142.1	115.6	6.188	1,122	0.608	1.252	0.922		0.740
E		38.39	7.218	6.352	1.869	0,796	1958	2.067	8.078	182.0		8.365	1.510	0.822	1.693	1,247	135.2	1
cou Denish Kroner,	, French Fran	c, Norweg	jien Kroner,	and Sweds	h Krono	per 10;	Belgion Fr	ano. Yes, Es	oude, Ura	and Pes	wite per 100							
n D-MARK	PUTURES	(MM) D	M 125,000	per DM					H J	LPANE	SE YEN F	UTURES	(IMM) Yen	12.5 per	Yen 100			
	Open	Latest	Chenge	High	- L	DW -	Est. vol	Open int.			Open	Latest	Change	High	L	OW	Est. vol	Open int
	0.6782	0.8704	-0.0001	8.6710	0.6	895	46.515	65,862	Jun		0.9320	0.9318	-0.0009	0.932	7 0.5	310	22,720	80,900
Jun	0.6778	0.6746	+0.0003	0.6748		731	39	. 2,137	Sep		0.9422	0.9435	-0.0001	0.943	5 0.9	422	650	1,911
Sep Dec	0.6780	0.6780	-	0.6780		780	2	198	Dec		-	0.9551	-	-		-	24	1,069
			MA CE- 1	25 000 ner	SEr					TERLO	C FUTUR	ES OMMO	262,500 p	or 2				

Jun	0.8310	0,8299	-0.0018 -0.0018	0.8310	0.8281	24,766 30	34,757
Sep Dec	0,8362	0.8377 0.8470	-0.0018	0.8470	0.8470	ĩ	649
	INTERES	T RATE	S				
LONE	ON MO	NEY RA			Three	Sk	One
Apr 10		Over- night	7 days notice	.month	months	months	year.
interbank	Sterling	64 - 5	8 - 5%	0 - 5%	64 - 51	612 - 6	6½ - 6½ 6½ - 6¼
Searting (-		0 - 512	8 · 512 512 · 512	64 - 8	D26 - D-4
Treasury				5语 - 5% 5语 - 5%	50 - 513	5医 - 5社	
Bank Bal		-12 -13	512 - 512	0 57	B.k - 512	6 ¹ 4 - B	63 - 64
	hority depar	513 - 51	57 54	u - 5-			
	Market deps	8 - 512	-				
of clear	ng bank base	lending rate	O per cert	trom Merc	n 8, 1996		
UN C-0001			Uptol	1-3	3-0	e-B months	9-12 months
		_	month	month_	moretes		
Carte of	Tax dep. (£10	0.0008	212	5 ¹ 2	5	5	434
Casta of T	- due under S	700,000 to 21	ape. Deposit	s withdrawn	for each 14p	C. Snenne Mr	ten um dev
							c. Reterence
Mar 28, 1	996. Agreed rate wood Mer 1, 190	e ser pence 4 15 to Mar 28,	1996, Schen	105 N& V&	135pc. Financ	se House Bro	in Plate 6.5pc
nom April	1, 1996				00 000 onic	44 of 10096	
	1, 1996 EE MONTH 1	TENLDIC	PUT UNGS	(LIPIC) IN	OU,DOO per	Est. vol	Open Int.
	Open	Sett price	Change	High	LOW		•
_	93.85	93.94		93,96	93.94	8826	81161
Jun	93.85	93.76	+0.02	93,79	93.75	11257	58724
Sep	93.38	93.39	+0.04	88.41	99.37	12904	57104 SB111
Dec	92.91	92.93	+0.04	82.95	92.91	7207	31596
Mar	00.55	09.54	+0.03	92,58	92.53	1845	31380
Jun	on APT. All	Onen Interital	fice. are for	prodout di	Ŋ.		
	RT STERLIN	o cuttoni	LIFFE S	500,000 pg	inta of 100°	*	
= SHO	K? BIRDATOR					PUTS -	

BA	SE LENDING RAT	ES
Adam & Company	Duncan Laurie	Royal Bix of Scotland — %. @Singer & Friedlander @Smith & Willman Sect — 6.00 TSB — 6.00 Linited Barrix of Nursell — 6.00 Western Trust Bank Plo — 6.00 Western Trust — 6.00 Vorteshire Bank — 6.00 • Members of London- Investment Banking Association In administration

0.22 0.13 9.08

9375

0.22 0.35 0.54

		CURRE		% +/- from		d Dh
Apr 10	Ecu cen.	Rate against Ecu	Change on day	cen. rate	% spres	
Spain	162,493	158,948	+0.41	-2.18	4.40	15
Netherlands	2,15214	2.12320	+0.00256	-1.34	3,51	10
Belgium	39.3960	39.0430	+0.0328	-0.90	3.04	7
Austria	13,4383	13.3644	+0.0129	-0.55	2.60	4
Commeny	1.91007	1.90071	+0.0018	-0.48	2.82	5
Portugal	196.792	195,446	+0.035	-0.18	2.90 1.43	1
Denmark	7.28580	7.33510	+0.00384	0.68 0.87	1.24	-5 -7
France	B.40508	6,48164	-0.00768	2.12	0.00	-14
haland.	0,792214	0.809018	-0.001075	2.12	Ų.DO	-14
NON ERM MI				4.77	-2.53	
Greece	292,867	306.829 1983.52	-0.398 -4.54	-5.85	7.89	
UK .	2106.15 0.786852	0.834474	-0.001724	6.08	-3.73	
· ·	0.70000	sopen Commissi		to descend		-
	and Italian L	ra suspended from	m STAL Adjust	ngmi calculated		
Equicantesi refer (17/0/92) Storing	and Italian L	ra suspended from	m STAL Adjust	s per pound)		
Equi control radio, (17/19/22) Starting PHILADE!	and Inlien L	** SUSPENDENTS STATES TO CALLS	m STAL Adjust	s per pound)	by the Finan	
Enu control rain. (17/1/92) Shering PHILADEI Strike Price	and Inter U	/S OPTIONS ! — CALLS — May	231,250 (cent	s per pound)	by the Finan	cial Time
Equipment of the control of the cont	Apr 2.03	CALLS May 2.30	231,250 (cent	s per pound) Apr 0.01	PUTS May 0.20	Jun 0.79
Equicanted return (17/16/92) Shering PHILADES Strike Price 1.500 1.510	Apr 2.03	CALLS	231,250 (cent 231,250 (cent 3km 2.71 9.13	s per pound) Apr 0.01 0.05	PUTS May 0.20 0.45	Jun 0.79
Equipment of the control of the cont	Apr 2.03	AS OPTIONS S CALLS May 2.30 1.55 0.95	231,250 (cent 231,250 (cent 3km 2,71 9,13 1,58	Apr 0.05 0.19	PUTS May 0.20 0.45 0.85	Jun 0.79 1.15 1.80
Enu control rota. (17/8/92) Seeling III PHILADEI Strike Price 1,500 1,510 1,520 1,530	Apr 2.03	CALLS	231,250 (cent Jun 2.71 9.13 1.56 1.14	Apr 0.01 0.05 0.19	PUTS	Jun 0,79 1.15 1.80 2.10
Eni central reta. (17/2/92) Sweling III PHILLADIEI Strike Price 1,500 1,510 1,520 1,530 1,540	Apr 2.03	CALLS	Jun 250 (cent 251,250 (cent 251,250 (cent 251,250 (cent 251,251) 1.14 (c.76)	Apr 0.05 0.29 1.63	PUTS	Jun 0.79 1.15 1.80 2.10 2.75
Ena control refer (17/19/32) Swelling III PHILL ADMI Strikes Price 1.510 1.520 1.530 1.540 1.550	Apr 2.03 1.05 0.29	Tension of the control of the contro	231,250 (cont Jun 2.71 9.13 1.58 1.14 0.76 0.52	Apr 0.01 0.05 0.19 0.89 1.83 2.77	PUTS	Jun 0.79 1.15 1.80 2.10 2.75
Eni control rate, (17/9/32) Swelley E PHE ADE Strike Price 1.500 1.510 1.520 1.530 1.540	Apr 2.03 1.05 0.29	CALLS	231,250 (cont Jun 2.71 9.13 1.58 1.14 0.76 0.52	Apr 0.01 0.05 0.19 0.89 1.83 2.77	PUTS	Jun 0.79 1.15 1.80 2.10 2.75
Esta Central risk. In PHELADE! Strike Price 1.500 1.510 1.520 1.520 1.540 1.550 Previous day's v	Apr 2.03 1.05 0.29	AS OPTIONS (**	Jun 1970. Adjust 231,250 (cent 2.71 9.13 1.56 1.14 0.76 0.52 eye. day's open	Apr O.05 O.99 O.89 2.77 int., Calls 154,8	PUTS	Jun 0.79 1.15 1.80 2.10 2.75
Eni central risk. In PHE ADEL Strike Price 1.500 1.510 1.520 1.520 1.540 1.550 Pravious day's v	Apr 2.03 1.05 0.29	Tension of the control of the contro	Jun 1970. Adjust 231,250 (cent 2.71 9.13 1.56 1.14 0.76 0.52 eye. day's open	Apr 0.01 0.05 0.19 0.89 1.83 2.77 inc. Cale 154,8	PUTS	June 0.79 1.15 1.60 2.10 2.75 3.47
Eni central risk. (179.02) Swefry FPHEADE! Strike Price 1.500 1.510 1.520 1.520 1.540 1.550 Previous day's v	Apr 2.03 1.05 1.29 ONTH EUR	** muspended from ** ***CALLS	### STML Adjusts 231,250 (cons. Jun 2,71 9,13 1,56 1,14 0,76 0,52 0,52 nov. day's open ####################################	Apr 0.01 0.05 0.19 0.89 1.83 2.77 int., Cells 154,8 Low	PUTS	Jun: 0.79 1.15 1.60 2.75 3.47 540
Enicantel risk. In PHELADE: Strike Price 1.500 1.510 1.520 1.520 1.530 1.540 Previous day's v	and refer to LPHIA SE 6 Apr 2.03 1.05 0.29 OL Cess 6.97 DOITH EUR Open 1	** muspended from ** ***CALLS	### STML Adjusts 231,250 (community Jun 2,71 9,13 1,56 1,14 0,76 0,52 1,94 0,76 0,52 1,94 1,94 1,94 1,94 1,94 1,94 1,94 1,94	Apr 0.01 0.05 0.19 0.89 1.83 2.77 1.4. Calls 154,8 t. Calls 154,8	PUTS	Jun 0.79 1.15 1.60 2.15 3.47 .540 Open 1
Secretaria richi (17/2/22) Sector I PHELADEI Strike Prica 1.500 1.510 1.520 1.530 1.540 1.550 Previous day's w	and refer to LPHIA SE 6 Apr 2.03 1.05 0.29 OL Cess 6.97 DOITH EUR Open 1	Temporal for the property of t	Jun 271, 250 (cont. 271, 250 (cont. 271, 250 (cont. 271, 251, 251, 251, 251, 251, 251, 251, 25	Apr 0.05 0.19 0.89 1.83 2.77 int., Calls 154,8 94.27	PUTS	Jun 0.79 1.15 1.80 2.10 2.75 3.47 540 Open 1 408,74 360,77
Enicantel risk. In PHELADE: Strike Price 1.500 1.510 1.520 1.520 1.530 1.540 Previous day's v	Acr 2.03 1.05 0.29 0.1 Cells 6.97 0.1 Cells 6.07 0.	** muspended from ** ***CALLS	Jun 2.71 (cont 2.71 (c	Apr 0.05 0.19 0.89 1.83 2.77 int., Calls 154,8 94.27	PUTS	Jun 0.79 1.15 1.60 2.15 3.47 .540 Open 1

	1.5150 1	.5180 -0.00 .5170 -0.00 .5250 -		1.5172 1.5150 1.5150	19,031 2 3	46,635 38 32
EMS EU	ROPEAL Ecu con.	CURRE	NCY UNI	T RATE	S % sprea	ad Div.
repri to	rates	against Ecu	on day	cen. rate	v weeks	
Spain	162,493	158.948	+0.41	-2.18	4.40	15
Netherlands	2,15214	2.12320 39.0430	+0.00258	-1.34 -0.90	3,51 3.04	10 7
Selgium: Avetrie	13,4383	13,3644	+0.0129	-0.55	2.69	4
Somery	1.81007	1.90071	+0.0018	-0.48	2.82	5
Portugal	195.792	195,446 7,33510	+0.035	-0.18 0.68	2.90 1.43	1 -5
Panmerk Prance	7.28580 6.40608	5,46164	-0.00788	0.87	1.24	- 7
bind	0.792214	0.809018	-0.001075	2.12	0.00	-14
ON ERM M					-2.53	
inly tuly	292,867	306.829 1983.52	-0.398 -4.54	4.77 ~5.85	7.89	
ж .	0.786852	0.834474 Stopen Commis	-0.001724	6.08	-3.73	-
PHELADE		L'S OPTIONS			PUTS	
Strike Price	Aor	— CALLS — May	Jun	Apr	May	Jun
1.500	2.03	2.30	2.71	001	0.20	0.79
.510	1.05	1.55	9,13	0.05	0.45	1.15
_520	0.29	0.95	1.58	0.19	0.85	1.80 2.10
,530	• • •	0.53 0.25	1.14 0.76	0.89 1.63	2.14	275
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KLEINWORT BENSON SELECT FUND Société d'Investissement à Capital Variable Registered Office: 50 avenue J. F. Kennedy, L-2951 Luxembourg

R.C. Luxembourg B 28.138 NOTICE

Dear Shareholder We hareby knform you that Shareholders of

Kleinwort Benson Select Fund - Doller Bond Fund Kleinwort Benson Select Fund - European Bond Fund Kleinwort Benson Select Fund - Global Convertible Bond Fund Kleinwort Benson Select Fund - European Fund Kleinwort Benson Select Fund - Japanese Fund Kleinwort Benson Select Fund - North American Fund

(the "Funds") have in class meetings held on 26th March 1998 decided to Shareholders of Kleinwort Benson Select Fund-British Fund will be invited to attend a second class meeting as the first class meeting on 26th March

Shares in any of the above Funds in issue on 29th March 1888 will be automatically redeemed at the not asset value per share determined on that date, that last valuation date prior to 31st March 1998, without redemption charge or notional dealing costs.

recomption charge or notional dealing costs.

Liquidation proceeds will be sent to registered shereholders within 14 days where market settlement practice permits, following the liquidation, by choque to the Shareholders' addresse(s) in the share register. Choques will be sent at the shereholder's risk and cost. Shareholders who wish to receive their proceeds by way of talegraphic transfer should contact the registered office of the Company, given above, with the relevant information on the bank account to which the proceeds shall be transferred.

Holders of bearer shares shall present their certificates to the Transfer Agent, Benque Générale du Luxembourg, 50, Avenue J.F. Kennedy, L-2901 Luxembourg in order to collect the liquidation proceeds.

Any proceeds not claimed within 8 months following the liquidation will be deposited at the Caisse de Consignation in Luxembourg where they will be held for the benefit of the owner thereof for a period of 30 years, after which they will be torfalted.

USD 10,000,000,000
EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE,
SGA SOCIETE GENERALE ACCEPTANCE N.V. AND
SOCIETE GENERALE AUSTRALIA LIMITED

SERIE N° 188
SGA SOCIETE GENERALE ACCEPTANCE N.V.
FRF 1,500,000,000 3 MONTH PIBOR RESETTABLE RANGE
FLOATING RATE NOTES DUE JANUARY 1998 ISIN CODE: XS0055105893 Notice is hereby given to the Noteholders that, pursuant to the Terms and

Conditions of the Notes, the rate applicable to the period from January 12th, 1996 to April 12th, 1996 has been fixed at 2,433892 % PA Next payment date : April 12th, 1996

per denomination of FRF 100 000 per denomination of FRF 1 000 000 The Principal Paying Agent

SOCIETE GENERALE BANK & TRUST - LUXEMBOURG

INTERNATIONAL DEPOSITARY RECEIPTS REPRESENTING SHARES PAR VALUE \$2.50 COMMON STOCK J.P. MORGAN AND CO INCORPORATED

A cash distribution of \$ 0.81 per depositary share will be payable on or after the 22 April 1996 upon presentation of coupon No.104 at:

Morgan Guaranty Trust Company of New York 35 Avenue des Arts 1040 Brussels

Banque Internationale Luxembourg 2 Boulevard Royal

L-2953,Laxembo At the designated rate less applicable taxes.

This distribution is in respect of the regular quarterly dividend payable on non shares P.V. \$2.50 J.P. Morgan & Co. Incorporated on 15th April

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 24 hour, call-free service.

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21.55 ESS 200 LEND-WALDOCK & COMPANY

FORD MOTOR CREDIT COMPANY

U.S. \$ 300,000,000

FLOATING RATE NOTES DUE APRIL 10, 2001 In accordance with the provisions of the above mentioned

Notes, notice is hereby given as follows: ■ Interest period: April 10th, 1996 to July 10th, 1996

- Interest payment date: July 10th, 1996
- Interest rate: 5,61484% per annum
 Coupon amount: US \$ 141.93 per i Coupon amount: US \$ 141.93 per note of US \$ 10.000
 - US \$ 1.419.31 per note of US \$ 100.000

Agent Bank

The Financial Times

plans to publish a

Survey on

The UK

on Monday, April 29.

As the UK Gas sector enters a

new era the Financial Times

will be publishing a survey

examing the threats &

opportunities facing the

BANQUE INTERNATIONALE BILLI

USD 140,000,000 CRI INSURED MORTGAGE ASSOCIATION INC.

Guaranteed Secured Floating Rate Notes due 1998

Interest Rate 5.734375% Interest Period April 10, 1996 July 10, 1996 Interest Amount due on July 10, 1996 per

USD 40.848.21 USD 592.10

BANQUE GÉNÉRALE DU LUXEMBOURG

Agent Bank

1410/1441 Broadway Finance, Ltd. U\$ \$174,300,000 Guaranteed Secured Floating Rate Notes Due 1999 For the period from April 11, 1996 to

October II, 1996 the Notes will carry an interest rate of 6.05625% per annum with an interest amount of US \$1.593.00 per US \$50,000 principal amount of Notes payable on October 11, 1996.

The FT reaches two-thirds of senior business individuals who make dacisions on the purchase of fuel & energy in the work place (EBRS '93)

Emma Goddard Tel: +44 (0) 171 873 4053

Fax: +44 (0)171 873 3062

or your usual FT representativa

FT Surveys

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LONDON STOCK EXCHANGE

Footsie falters within a few points of its peak

UK Stock Market Editor

A positive early performance by gilts, renewed takeover speculation across various sectors of the market, and talk of a substantial buy programme focused principally on the financial stocks, drove UK equities higher vesterday.

In the background, the latest Confederation of British Industry survey of distributive trades painted a relatively healthy picture of the UK retail scene.

And Tuesday's news that the Nationwide Building Society had taken a further step in increaswar did no harm to sentiment. The news waa interpreted by some in the market as possibly front-running another reduction in UK interest rates.

Wall Street's continuing uncertainty, which saw the Dow Jones Industrial Average lose some 120 points in two days after last week's US non-farm payroll report, was among the market's only real worries yesterday. The Dow came under renewed pressure vesterday. taking the top off London equities and introducing real concern about the market's ability to make any substantial further progress in the short term. The Dow fell away early ing the pace of the mortgage price on in the wake of US Treasury

bonds, which began to back off, taking gilts with them. Around 90 minutes after the close of trading in London the Dow was showing a marginal increase on the session

Nevertheless, the impetus behind the London market for much of the day was such that the FT-SE 100 looked like taking a run at its all time closing high and its intra-day peak. At its best of the day, 3.775.1. sbortly after midday, the FT-SE 100 was only 6.2 short of its previous closing peak and 17.4 away from its intra-day best, which it reached last month. Marketmakers said a substantial trading programme, heavily weighted on the buy side and said to have been executed hy BZW, was a prime motivation hehind tha market's initial strong performance.

The Footsie ended the day a net 8.8 abead at 3.767.4, while the FT-SE Mid 250 index, representing the market's second-line stocks, rose 10.0 to 4.387.1

There was good news for the City's hig trading houses in the level of activity, which expanded rapidly from Tuesday's rather depressed level of 616m shares. At 6pm, turnover had reached 797.3m shares, with non-Footsie stocks accounting for just over half the total.

Around the various sectors, the banks caught the eye, mostly ignor-

return of the "feel good" factor,

coupled with cuts in mortgage

lending rates, helped to give a

shine to a number of retailers.

Among the main beneficiaries

were MFL which went up 5 to

171p, Kingfisher, 11 ahead at

being keener to part with their

cash came with the results

from Headlam, the UK's larg-

curtains, which reported a 33

per cent increase in profits. Its

Among the smaller retailers,

Moss Bros. the outfitters, made

one of the day's higgest gains,

up 36 to 795p, following its

annual results which showed

profits up by 52 per cent. Plans for continued expansion

include a further 10 to 12 shops

being scheduled to open later

Granada's announcement

share price rose 15 to 248p.

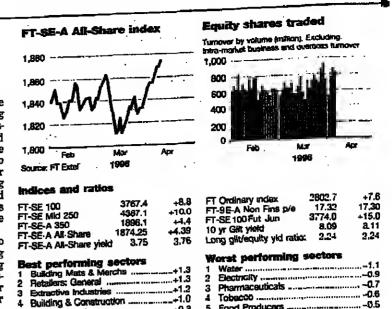
distributor of carpets and

582p, and Next, up 6 to 533p.

More evidence of consu

ing the latest developments in the mortgage price war and responding instead to news of the merger discussions between CS Holding and Union Bank of Switzerland. Some traders said a merger of the two Swiss giants would lead to further consolidation in the UK banking arena. The two Scottish banks and Standard Chartered, long viewed as prima bid targets, were among the

best performing Footsie stocks. BP and British Gas continued to attract exceptionally heavy trading activity, with both stocks closing well up on the session amid persistent speculation that the former could be running a slide rule over



FUTURES AND OPTIONS

FT-SE 100 NOEX FUTURES (LIFFE) \$25 per full index point

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Banks return to fore

Prospects of a merger between Switzerland's two largest financial institutions got the UK bank bid ball rolling yes-

It was largely a ease of rounding up the usual suspects 35 Royal Bank of Scotland bounded towards the top end of the Footsie leaders, followed closely by Standard Chartered. RBoS has been hard hit over the past couple of weeks with word leaking into the market that profits at the bank's Direct Line insurance subsidiary will be dire.

But it has also been seen as a perennial bid target in spite of its stated desire for indepen-

The shares forged ahead 13 to 504p, while Standard, seen as an obvious morsel for HSBC. put on 13 at 650p.

Behind the takeover talk there was also a recommendation from James Capel, which reiterated its support for Standard, Barclays and Lloyds TSB. Barclays shares rose 9 to 733p and Lloyds 2 to 320\2p.

Cyclical shift

The shift from defensive stocks to cyclicals, which is beginning to blte in the US. was also starting to show Itself in the UK stock market.

A Wall Street sell-off of pharmaceuticals stocks hit UK leaders Glaxo Wellcome and

UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

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Duted. March 23, 1996 CADWALADER, WICKERSHAM & 1AFT

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Barry J. Dichser 100 Maden Lane New York, New York 10038 (212) 504-6000

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LEGAL NOTICES

NOTICE OF AVAILABILITY OF VOTING PACKAGES AND OF HEARING TO CONSIDER CONFIDENTION OF DESTORS: SECOND AMENDED JOBOT PLAN OF REORGANIZATION

TO THE HOLDERS OF 9" CONVERTIBLE SUBORDWATED DEPENTURES OF ANACOMP INTERNATIONAL M.V.

You are hereby motion that by make (the "Court") dated March 28, 1996, the United States Bankropter Court for the Petroci of Debusare (the "Court") has approved the Debtors' Disclosure Scanner Pursuant to Section 1125 of 18th 11 of the Bankropter Code for the Science Amended John Part Of Recognization of Marchanom, the And Cestion Of its Standarders (the "Disclosure Statement") as chickaring "advance information" as that term is defined in Section 1125 of the Bankropter Code with wishers' to Debtors' Section Amended John Plan of Recognization (the "Part"). The Order Sees Not 3, 1236 at 4.30 pm., Eastern Daylight Firm, as the deather for receipt by Logan & Company, Inc., the Febrors Ballot Agent, of ballots accepting or reporting the Plan.

Pebtors Robol Agent, of battors accepting or rejecting the Plan

The hydring on confirmation of the Plan will be held at the United States Bankrupicy Court, 824

Markert Street, Sin Hoor, Warmoglon, Debacte on May 17, 1956 at 1000 a.m., (Eastern Daylight Time)

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and must be faird with the Court and served about, so as to be received by, (i) the Debtors' underspreed

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Stroock & Locan, 7 Harover Strosm, Rev York, New York 10004, (ii) the Office of the United States

Fractice, John D. McLaughton, Esq., (60) Walnut Street, Corbs Coolor, Sude 950 West, Philadechnia,

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declined 10 to 798n, with some additional pressure from a story that Astra was cutting the price of Losec, which is the rival to Glavo's beadline asthma product. It turned out that the cuts were only being made in Sweden and merely reflected European harmonisa tion rules. SmithKline "A"

dipped 4 to 681p. Zeneca was 2 firmer at 1401p with some belp from confirmation that the EU bas approved the merger of Zeneca Seeds

and Royal Vanderhave. Meanwhile, ICI, generally regarded as being in the front rank of cyclical stocks, stood out with a jump of 14 to 912p.

Mirror speculation

Mirror Gronp, which bas lost out in the recent enthusiasm for media stocks, caught up with a rusb on heavy specu-

lative huying. The shares shot forward 12 to 232p, with turnover hitting 13m as several dealers fingered Carlton Communications as an obvious suitor for the newspaper group.

There is logic behind the argument. Carlton would instantly get hold of 20 per cent of Scottish Television and 20 per cent of HTV, But Carlton has been steering analysts away from the idea and much will depend on PDFM, the fund manager which owns nearly 20 per cent of Mirror Group. Carlton gained 6 at 482p. Some water shares were

restrained by the prospect of extra stock sloshing around the market.

SBC Warhurg announced that it had taken up the rump of the government's remaining SmlthKline Beecbam. Glaxo shareholding In six water com-

Charger 11

panies for around £77m.

Warburg took on 3.5m shares in Thames Water, which fell 15 to 563p. 2.7m in United Utilities, down 5 at 585p, 2.6m in Anglian, 9 lower at 584p, 1.5m in Yorkshire, off 7 at 679p, 1.2m in Soutbern, 2 easier at 739p. and 0.9m in Hyder, 2 softer at 741p. The broker is expected to place the stock with institutions over the next few days.

Merchant bank Singer &

Friedlander saw unusually heavy trade after two blocks of 2m shares were placed at 101' p and 102p respectively. S&F firmed a penny to 103p. Cadbury Schweppes rose in early trade on talk of broker upgrades by SBC Warburg and ABN Amro Hoare Govett. However, both brokers denied having changed their recommendations and the stock closed only a penny higher at 488p.

A Confederation of British

dustry 50	rvey.	publi	shed	that i	t was	raising	room	rates
INANÇIAL	TIME	S EQ	UITY	INDIC	ES			
	Apr 10	Apr 6	Apr 4	Apr 3	Apr 2	Yr ago	'High	"Low
dinary Share	2802.7	2795.1	2796.7	2784.0	2796.5	2447.5	2807.9	2696.7
d. div. yield	3.86	3.87	3.87	3.88	3.86	4.32	4.06	3.76
E ratio net	18 85	16.79	18,60	18.58	16.66	16.80	17.25	15.96
E ratio nel	16.61	16,54	16.56	16.24	16.34	16.72	17.03	15,76
dinary Store index	SINCE CO	mpilation:	Ngh 2907.	06/03/9B	low 49.4	26/06/40	Base Date	1/7/36.

this year.

Open 9.00 10.00	11.60	12.00 13.00	14.80	15.00 1	6.00 High	Low
2799.6 2803.7 2903.5	2804.0	2809-2 2809.1	2804.5	2798.4 27	99.8 2810.7	2797.1
	Apr 10	Apr 8	Apr 4	Apr 3	Apr 2	Yr ago
SEAO bargains	34,222	39.767	48,156	49,354	52,469	21,46
Equity turnover (Sm)†		1574.S	2125.6	1980.1	2083.3	1514.8
Equity bargainst		48,332	56,711	64,790	61,395	30,725
Sheres traded (mit)†		812.3	812.5	8.898	770.8	583.0

988.60 984.60 991.40 991.00 990.70 -- 1054.62 965.68

filses and falls'		52 Week highs a	and lows	LIFFE Equity option	errel lette
Total Rises	843			Total contracts	29,613
Total Falls	445	Total Lows	17	Calls	13,232
Same	1,498			Puts	16,381

Date of Issuance of Invitation: 15th April 1996 Loan No: 3597 IFB No: 2649/VB/96

The NOVO-TRADING Commercial Ltd., acting on behalf of

the Ministry of Welfare now invites sealed bids from eligible Bidders for the supply of special respirators used after cardiovascular surgery and perform the related incidental Interested eligible Bidders may obtain further information

from and inspect the Bidding Documents at the office of: NOVO-TRADING Commercial Ltd., H-1136 Budapest. Hollan E. u 24-26

an interested cligible Bidder on the submission of a written application to the above and upon payment of a nonrefundable fee of USD 120,- tone hundred and twenty USD only) Bidders resident in Hungary may purchase the above documents upon payment of HUF 17.000. + VAT (seventeenthousand HUF + VAT).

All bids must be accompanied by a security of USD 10.000,and must be delivered to the above office on or before 10.00 am on the 15th July 1996.

representatives who choose to attend at 11.00 am on the 15th July 1996 at the Conference From of NOVO TY ADMO Commercial Ltd., H-1136 Budapest, Hoolán F.u. 24-26.

CONTRACTS & TENDERS

INVITATION FOR BIDS (IFB)

1. The Government of the Republic of Hungary has received a loan from the World Bank in various currencies towards the cost of Health Services and Management Project and it is intended that a part of the proceeds of this loan will be applied to eligible payments under the contract for Procurement of 12 Hwelve) pes special respirators used after cardiovascular

Phone: (36-1)-153-0022 Fax: (36-1)-153-0605

4. A complete set of Bidding Documents may be purchased by

o. Bids will be opened to the presence of Bidder's

SINO LAND COMPANY LIMITED sa company incorporated in Hong Kong with limited liability)

US\$200,000,000 5% Convertible Bonds due 2001 ("Bonds")

NOTICE TO BONDHOLDERS

The Directors of Sino Land Company Limited ("the Company") on 28 March 1996 declared an interim dividend of HK\$0.08 per share for the year ending (1 June 1906 to shareholders whose names appear on the register of members on 26 April 1996. This interim dividend is payable on 27 May 1996.

The register of members of the Company will be closed from 17 April 1996 to 26 April 1996 (both dates inclusive). Registered holders of existing Bonds who wish to exercise their conversion rights attaching to their Bonds so as to be entitled to the said interim dividend should lodge the properly completed and signed conversion forms together with the Bond certificates with their Agent so as in reach the Company before 4:00 p.m. (Hong Kong time) on 26 April 1996.

> By Order of the Board Enc In Sai Kwone Secretary Hoag Kong

11 April 1996

GIVE US A STAPLE

And don't forget to add your cheque to fund more Macmillan Nurses to help 1,000,000 people living with cancer. (1 in 3 of us will get cancer)

Cheque amount £..... made out to 'CRMF (F3)' Please send it to:

CRMF FREEPOST LONDON SW3 3BR Macmillan APPEAL

Cancer Relief Macmillan Fund exists to support people with cancer and their fami Regal Charity No. 261017

executive chairman of Amerovernight, which hinted at a had a knock-on effect on a number of companies with UK sham helped shares in the hotel divisions, according to medical diagnostics company

analysts. Whitbread, which would be a major beneficiary, saw its share price go up 11 to 706p. Vaux rose 7 to 284p and Greenalls 3 to 587p. Granada shed a penny to 793p. In the drinks sector, Bass fell Amro Hoare Govett.

7 to 758p on the back of profittaking, as was the case with JD Wetherspoon, which retreated 17 to 907p. Grand Metropolitan osteoporosis treatment. moved up 4 to 426p, with the

group gaining from reports of firmer spirits prices.
Building materials group positive prospects. Wolseley was the star Footsie

performer with an advance of 15 to 454p. The company has been visiting analysts and giving some mfort over future prospects. following disappointing

Interim figures a month ago. Wolseley does about half its business in the US and has been easing worries about a cyclical downturn there, arguing that any weakness is

merely the result of bad Eurotunnel units put on 2 at 70p to reflect a 7.5 per cent rise in the Paris-quoted shares. Dealers said one big US holder. Capital Group, had stopped selling its shares and there were reports of strong passen-

ger figures for Easter. Initial trading at Avocet Mining, the company which made its market dehut last week, does not appear to he going to plan. Turnover has been niggardly and the shares, placed at 240p apiece, fell 14 to 213p yesterday.

F.L. Group, the computer services company, made a strong market dehut yesterday. The shares started trading at 2900 and finished the day 10 higher at 300p, a healthy premium to their 235p offer price. Hopes of great things when

Mr Richard Lapthorne, the finance director of British Aerospace, takes over as non-

climb 9 to 974p.

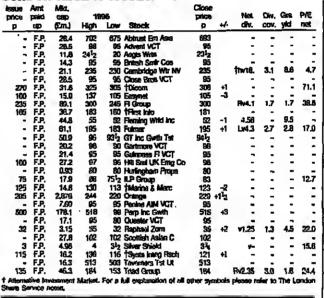
Adare Printing improved 15 to 480p after a recent acquisition. And Remnose advanced 26 to 408p in belated response to a recommendation hy ABN

Cortecs International jumped 23 to 310p after releasing final results of the first Phase II clinical trial of its oral

Headlam, the floor coverings and soft furnishings group, moved forward 15 to 2480 on

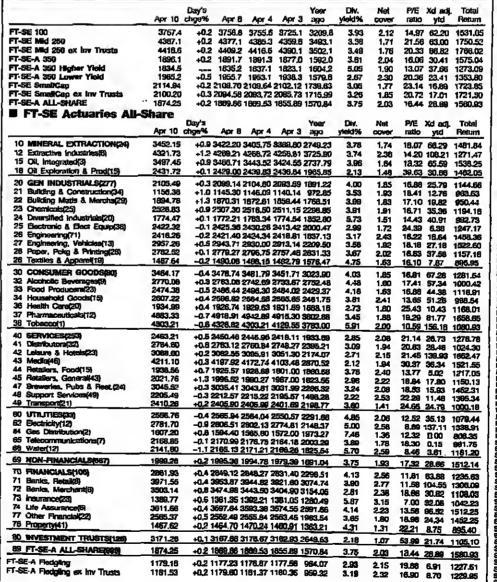
MARKET REPORTERS: Peter John,











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Additional Information on the FT-SE Actuaries Share Indices is published in Saturday Isaues.

"The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Facuity of Actuaries and the Institute of Actuaries. O FT-SE International Limited 1998. All Fights reserved. The FT-SE Actuaries Share Indices are calculated in eccordance with a standard set of ground rules established by FT-SE International Limited or conjunction with the Facuity of Actuaries and the Institute of Actuaries. "FT-SE" and "Rootsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector F/E ratios greater than 80 and net covers greater than 90 are not shown. ‡ Values are negative.

TRADING VOLUME Val. 1,400 5,600 171 1,700 2,600 2,600 5,620 2,600 5,620 1,403 10,000 1,600 1 2,800 1,400 1,400 1,400 1,500 GUS† Groenalis† GRE† GRN† Guinnedor† HSPC (75p etvij† HarringrSon Harrisonst Croefiel 1747777774417717774585877777 +1 +5 +812 +2812 Midlands Bect Midmans (Mm.) NEC Nativest Burist National Grist National Power! Next Northern Bact. Northern Foods. Passoort P & O† Pilidingsort Stockhouse
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FT-SE 100

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	ANDCAME 1.32 18 241 174 17 174 +4		LinearTec 0.18 3111530 4732 4434 4532 -
•	Allot Cap 1.88 12 236 13 ¹ 2 et13 13 ¹ 2 + ³ 3		LiquiBox x 0 44 10 8 6114 30 3114
-	Albette C 0.32 2 6 4 4 4	-E-	
		Engle Fd 1 189 u2 2 2 2 2 12 +14	Loswen Gp 0.10 31 2424 2944 2918 2914 -1
		EastEtweet 5 1590 112 12 111 +3	LneStrSt. 29 4585 39 38 ¹ 2 38 ¹ 2 -3
	Altera Co 3237039 83% 59% 5112 -%	EC 7et 0.05 10 1604 22 4 22 2 22 4 +1	Lone Star 26 943 u12 4 11 4 12 4 +1
_	Ann Beester 0.78 11 29 35 4, 25 35		LTX Co 11 3476 7% 712 758
	AmCNoy 0.18 11 736 818 778 0 +18	Egghesd 57 1670 1012 972 978 -74	UMMH 0.62 30 31 50 ³ 2 50 ³ 8 50 ³ 8 + ³ 4
•	Am Manag 24 593 251g 24% 2412 +12	BecarSci 11 670 1012 174 1812	Chest 005 30 31 30-5 30-8 30-8 +3
•	Am Softwe 0.32400 301 43 4 4 -32	Becarte 1,49 4 412 49% 49 4912 +7	
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i		Emmies 20 612 u15% 15% 15% -12	- M -
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	Aminim 252 0 61 06914 6814 6914 +1g	EncoreCorp 1 2363 212 272 312 +12	MS Car's 17 1550 1914 1714 18 -1
	AmPenCook 14 4384 1834 1036 1859 -34	EngyMetrs 34 34 265g 265g 265g +1g	Mac AND 0.60 7 32 123, 125, 125,
	Are Trav 13 933 3014 2912 2912 -14	Endiforcs 13 428 at 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
	Amosa Inc 3572131 551a d52 5212 -31a	Enzon Inc 21 1240 41 ₈ 313 44 ₆	Madge 45 3206 397 3012 3912 -7
2	Amtech Cp 0.06 10 755 5% 512 512 -16	EquatyON 0.10 56 365 51c 81c 55c -1c	Magna Grp 0.68 12 444 2314 2214 2214 -3
2		Erican8 0.22 2225591 2014 1914 2018 +11	Mail Box 20 109 14% 14% 14% +1
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•	AnangelAm 1.00 10 50 11 % 11 % 11 %		
	Andrew Cp 32 6019 4214 4014 4038 -138	Examples 28 5945 u171g 101g 161g +3g	Markel Cp 13 339 85% 61 61 -41
	Andres An 68 7 175g 175g 175g	Extractor 328 587 284, 254, 264, 114	MarshSmiA 0.44 11 21 123, 123, 123, 123, 123
•	Apogue En 0.34 10 410 2314 2214 231a -3	EditeGec 20 301 134 1212 1348 +18	Marshall 086 12 1420 257, 241, 247, -11,
	APP 810 29 2580 918 878 878 -14	Expedit 1 0.12 10 115 2712 27 22 12	Mastec 300 907 125 115 13 -3
		Ezzorpány 4 184 85g 61g 61g +1g	
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:	AppleC 0.48 1915519 2612 257, 25		Mustus Int 4412500 35 ¹ 4 34 34 ¹ 2 -1
	Applehees 0.05 28 4576 28-4, 2734 28 +14		McGrath R 0.56 12 520 u21 2014 21 +12
1	Arbor Dr 0.20 10 895 20 195g 195g -3g	-F-	McCormic x 0.56 35 1380 22% 22% 22%
	Arcteo 0.24 11 228 834 832 834 +32	_	
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i		Fart Co 0.24 11 136 974 974 974 +3	Melamine 0.24 15 107 u6% 9 0 -49
. !	AndBatDel 0.04 49 330 018 812 812 -30	Fastenai 0.02 48 928 365 354 354 -14	Montor Cp x 0.10 35 1114 251 u 237 24 -1
ı	Ammor Al 0.64 18 207 164 154 184 +12	RIP and 375 1422 51 5 297 36 -1	MentrG 0.24 15 4275 141 135 137 +3
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١ ١		Filenet 45 2522 50 47 3 48 3 +1	Meridian 1.48 1656617 51 2 49 2 49 2
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١ ا	All SEAL 0.34 10 6112 2818 20% 27% +58	Fet Secty 0.84 15 1996 27 2612 2612 -4	Mesa Air 30 8958 13 11 4 12 4 +
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١.	Austrick x 0.24 2315258 u423 394 403 +138	Firstmiss 20 364 52912 2914 2914 14	MFS Cm 14 7505 56% 62% 65% +9%
' 1	Assertato 2 87 33 31x 31c -18		Michael F 0.20 12 874 114 113 113 -5
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П		Flow left 19 239 012 818 938 +14	Microcom 39 2059 2912 283 233 +1
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		FoodLB 0.11 19 5466 u7 83 812 -1	Microrate 65 170 13 ¹ g 12 ³ g 13 + ³ g
		Foremost 1.08 14 394 5334 52 5312 +112	Mirait 3332358 1031013, 1013
		Foractiner 35 483 145 133 133 -1	MIC AL N 18 46 237 234 234 +4
	- B -		Miche Grain 0.50 32 76 13 1214 1212 -1
ı	8E B 0.06 14 92 97 912 912 -38		
	Baker J 0.08 2 838 818 734 778 -1	Fat Flat 0.60 10 142 2134 2134 2134 +12	Miller H 0.52 38 1270 287 297 297
1		Fet Hausel 1.19 11 234 274 2712 2712 -4	Materia 1711 84512 4314 44 +
ı	Bidwel 9 032 7 10 15 15 15 +34	Fuller HB 0.64 19 944 323 2834 3234 +2	Minimeda 0.10 25 229 2012 1978 20 -2
1	BallyH&Tn 772 4 ¹ 8 4 4	FuttonFin 0.68 13 61 2214 2134 2214	MobileTel 13 3253 17 1638 1658 -3
	Banciec 14 25 1634 1658 1658 -38	FuturedADR 1 78 34 d58 56 3-8	
Į	BankersCp 0.56 10 52 173 17 17 18	1 10 4 D.S. 48 -48	Modern Cp 0.24 17 68 10 mm 2 10 +1
1	Bankoorth 0.92 10 79 3514 3414 3518 +38		Modice Mf 0.98 12 323 27 28 2812 1
. 1			Molent 0.06 24 1389 3314 3214 3314 +1
- 1	Banda Gao 0.44 14 646 2634d2432 2458 -38	_	Molecular 0.06 26 1669 1365 3514 3614 +7
- 1	Basset F 0.80 14 278 25 2 25 26 -12	- Q -	
- 1	Buy View x 0.60117 580 35 34 341g -7g	6 M App 2 162 27 25 27 +1	Moscom 0.04 59 161 8 712 74
- 1	Baybanias 2.40 14 735 10510234 103 -212	66K Serv 0.07 27 753 2712 27 2738 +58	Mosime P 0.36 18 57 3112 3014 3112 +1
- 1	BE Auro 51 587 10 ⁵ 8 10 10 ¹ 4		MTS Sys 0.32 15 218 u20 194 194 -4
- 1	BenerilCon x 0.42 15 7 85 85 85 85 -3	Gambos 5 26 3 27s 3 +16	Mycogen 8 808 161 ₂ 16 161 ₈ J
1		Garnet Re 1 884 16 016 16 +18	mysogen 0 000 10-2 10 10-8 -
J	BFmkinft 50 91 218 17 3 +3	Street 2000 1516034 34% 3318 3374 +14	
- t	Ben&Jerry 725 218 1512 1412 1412 -14	Geld Co 0.18 5 53 776 750 750 -14	
ı	BertdeyWR 0.52 15 231 44d43 4 43 18	Gent Blad 0.42 14 4 20 20 20	N#
- 1	BHA Gp 012 12 5 12% 124 12% -2		- N -
- 1	Brinc 28 3650 s113 1014 11 +7	Beckyle 11 277 714 712 712	NAC Re 0.20 8 2100 31 d31 31
1		General 15 1415 5 4 5 8 5 4 + 8	Nest Frich 0.72 10 50 16% d19 16% -3
1	Big 8 0.20 86 165 101x 94 10 +4	Gentex Cp 4.00 32 2957 #0614 35 3514 +14	
- 1	Bindley W 0.08 11 5 155 155 155 +18	Genus Inc 11 1859 6 5% 512	Hel Compt 0.36 14 548 #203 193 203 +3
- 1		Genzyme 3318741 501244714 4778 -138	Nors Sun 0.13 41 1804 2714 2414 28 +
	Blogen 36715197 63 5874 5878 -358		
- !			Nevigetor 6.00 12 98 19 1612 1812 .
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	Biomet 18 6071 1434 1438 1432 +13 Block Day 1.18 8 28 64358 4134 4134 -138 BMC Softw 33 6318 6738 56 5512 -14	Georgia Cm 5 4688 105g 101g 101g 18 Sibson St 0.40 4 168 135g 131g 125g 114 Gulddingol. 0.12 94 744 1914 18 18 18 12	NEC 0.41 44 63 58 ¹ 2 58 58 ³ 2 - Nellow 6952165 69 ¹ 4 68 ¹ 2 68 ³ 4
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Pentech i 15 12 176 176 176
Pentech i 0.20 22 31 1912 18 1912 +112

Princeron 17 83 u223 2 22 -12
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Proneerig 0.40 24 223, 22 22 -14

0.38 7 105 15¹4 15¹8 15¹4 +⁵8

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- C -

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- D -

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Microage 149 485 105 103 1012	Staples 4324039 t/21 18 20 20 12 +12
Microcom 39 2059 29 ¹ 2 28 ³ 3 23 ³ 4 + ¹ 2	Starbucks 7013798 26 25 4 25 4 4
Microrate 85 170 131 ₀ 123 ₀ 13 +3 ₀	Sid Micro 29 1973 15 3 dt 4 4 14 3 - 3
Mindt 3332358 1031013,1013	Std Regie 0.76 14 273 241 ₂ 24 241 ₂
MIG AS M 18 46 237 234 234 +4	Steel Tec 0.08 10 179 1218 1124 1173 -38
Miche@min 0.50 32 76 13 12 4 12 2 -12	ShokyUSA 0.20 2 191 33 212 314 +16
Miller H 0.52 38 1270 287 297 2974	Stolen 7 652 184 184 185 +12
Million 1711 m451 ₂ 431 ₄ 44 +1	Strawbr(1 1.10 21 122 18 ¹ 2 18 19 -14
Minutech 0.10 25 229 2012 1978 20 -12	Street/Dy 124 5861 637 8 3478 3478 -158
MobileTel 13 3253 17 163 165 -3	Shyker 0.08 24 3347 453g6445g 447g +14
Modern Cp 0.24 17 68 10 tt978 10 +18	SuttenD 15 45 12 ¹ g 11 ⁷ g 12 ¹ g + ¹ s
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Molant 0.06 24 1389 3314 3214 3314 +12	Summit 76 70 7780 2318 d2112 22 -58
Molestino 0.06 26 1669 µ3654 3514 3614 +74	Sun Sport 4 28 5 27 276 -18
Moscom 0.04 59 161 8 712 734	SunMic 2161190 49-4 46-4 48-2 +1-9
Mosime P 0.36 18 57 3112 3014 3112 +14	Sutton Rs 325 524 x1644 15.49 1844 +49
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- N -	Syndry Soft 0.10 27 1311 2314 2258 2254
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Nesh Frich 0.72 10 50 1638 d19 1638 -38	Systemed 15 5413 3 212 3 +24
Hei Compt 0.36 14 548 x20 % 19% 20% +%	
Hira Sun 0.13 41 1804 274 244 28 +1	
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Nelcor 6952165 6914 6812 6814	7-Dat Sc 81473 34 27 27 -2
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	Tokyo Mar 0.32 22 305 645 841 ₂ 841 ₈ +1 ₈
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Fig. 1. Constitution of the second constitution

shake off worries

Wall Street

Technology shares managed to shake off a new sign of weak demand for semiconductors and post gains in midday trading while most other sectors were flat, writes Lisa Bransien n New York

At 1 pm, the Dow Jones industrial Average was up 5.78 at 5.566.19, while the Standard & Poor's 500 added 0.40 at 642.59 and the American Stock Exchange composite ruse 0.56 to 573.27. NYSE volume was 240m shares.

The Nasdaq composite climbed 7.49 points to 1.116.64 in spite of a drop in the semiconductor industry's key measure of demaod. The Semiconductor Industry Association said that its book-to-bill ratio the ratio of products billed to products shipped - fell for a fifth consecutive month to 0.8 in March.

But while the figures are new, investors have been wor. had formed a joint venture ried about declining senucon- with GE Information Services ductor demand for several - a unit of Geoeral Electric - Waterhouse months, so much of that bad to offer Internet software to for CS715m.

news had already been incorporated into the price of most semiconductor shares.

Micron Technology, for example, bas fallen from a peak of \$86 in September to \$30 at Tuesdar's close. Yesterday the shares gained \$11. or 4 per cent at \$34\s.

Motorola, which also makes

chips, jumped \$4% or 8 per cent to \$55% after the company reported stronger than expected earnings of 63 cents a share. Analysts had forecast earnings Gearer to 59 cents a share. The company said, how-ever, that slowing demand for semiconductors would be one factor that could put pressure oo earnings over the next few quarters.

Several computer companies were also stronger yesterday. IBM added \$1' at \$119'. Hewlett Packard was \$2 stronger at \$98% and Gateway 2000 hardened \$1 to \$333 ...

Netscape Communications got a boost from news that it businesses. In early trading. shares in Netscape were \$4" stronger at \$531. while Dell Computers - which had jumped more than \$5 in the previous two sessions - gave back \$75 at \$41.

Shares in Bally Entertainment added \$% at \$22% on continued hopes that the company might be acquired by ITT for as much as \$26 a share. Press reports yesterday, bowever, suggested that negotiations between the two companies were foundering although they had not broken off altogether. ITT declined \$1's to \$60's.

Canada

Toronto was firm in midsession trade, led by strength in oils and hase metals issues, and the TSE 300 composite index was standing 16.61 higher by noon at 5.023.90 in heavy volume of 64.5m shares. Toronto-Dominion Bank relinquished C812 at C\$2312. heading the most actives list after saying it would acquire Waterhouse Investor Services

Rand leads S African stocks lower

Equities continued to retreat in nervous trade and finished near the session's lowest levels as the weak rand, which sank to fresh lows in the afternoon, upset sentiment. Dealers said shares nere being marked down in thin dealings as many investors held back amid the uncertain

The overall index closed 35.4 weaker at on the 18.5 per cent personal stake held by Mr 6.653.9, industrials dropped 56.9 to 8.085.3 and Dieter Bock, chief executive, for which it the gold shares index slipped 10.1 to 1,774.8. already has a right of first refusal.

Lonrho bucked the trend and ended 35 cents firmer at a new bigh of R13.70. The heavy trading in Lourho follows the acquisition last month by Anglo American Corporation of the 5.9 per cent shareholding previously held by its founder, Mr Tiny Rowland, writes Mark Asbhurst. Anglo is also seeking to secure an option

Mexico City up 1.4% at midday

Mexico City drove abead in burst of strength in the peso. midsession trading, with the IPC index of the 37 leading shares gaining 40.85 or 1.4 per cent at 3.050.34. Traders said that the market was supported expected fall in January industrial activity and a surprising were moving equity prices.

Dealers said most investors were ignoring movements on Wall Street for the time being. The expectation of secondquarter recovery, good company reports and calmness in

the foreign exchange market

the opening and by midday the Bovespa index had risen 259 points to 48,924. Dealers said tbat investors were pleased tbat congress bad finally approved the 1996 federal budget, and could concentrate on social security reforms.

US Dollar Index

Pound Sterling Index

198 95 153.70
184 05 178.27
210.72 704 10
150 19 145.47
158 43 155.47
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	emerging	MARKETS:	IFC WEE	KLY INVEST	ABLE PRIC	E INDICES	5
			Dollar terms	:		ocat currency	terms
Market	No. of stocks	Apr. 5 1996	% Change over week	% Change on Dec '95	Apr. 5 1996	% Change over week	% Change on Dec '95
Latin Americ	ca (247)	494.82	+0.2	+4.9			
Argentina	(31)	812.23	+0.7	41.4	498,219.66	40.7	+1.4
Brazil	(68)	335,23	+0.1	+9.8	1.237.79	+0.0	+11.5
Chile	(43)	671.31	-1.7	-10.3	1,102.81	-2.0	-9.6
Colombia ¹	(15)	582,11	-0.1	-2.7	1,081,73	+0.2	+3.1
Mexico	(65)	510.67	+0.9	+12.7	1,656.54	+0.6	+10.0
Peru!	(20)	202.45	+0.6	+2.6	291.41	+0.6	+4.9
Venezuela'	(5)	421,53	+11.1	+28.1	4,630.59	+2.6	+77.4
Asia	(631)	259.94	+2.2	+12.0	1,		
Chirus*	(23)	61.92	+3.3	+14.5	65.11	+3.3	+14.8
South Korea		124,10	+1.2	-1.5	127.24	+0.9	-0.9
Philippines	(35)	283.35	+1.0	+9.2	357.96	+3.9	+8.8
Tarwan, Chin		120,46	+8.3	+6.8	122.95	+8.0	+6.4
India"	(76)	95.39	+3.7	+18.7	115.60	+3.7	+15.2
Indonesia'	(44)	125 34	+3.9	+14.3	158.70	+3.8	+16.5
Malaysia	(123)	315.22	+0.4	+76.2	294.55	+0.5	+15.9
Paristan	1251	257.60	-1.5	+6.2	405.65	-1.3	+7.6
Sii Lanka''	(5)	121.38	-0.7	+16.6	142.18	-0.7	+17.6
Thailand	1721	385.60	+3.9	+3.4	389.62	+4.D	+3.6
Euro/Mid Ea		148.08	-1.7	+4.6	30.00	~~	-0.0
GV~ /e	ונין ייי	255.70	-2.6	+5.9	417.21	-2.6	+7.8
huntary"	(6)		-0.8	+47.0	250.80	-0.3	+\$\$.0
JAN-20P	(8)		-7.4	-9.8	248.79	-7.4	-9.7
Pours	(2.5)		+3 4	⊷ 16.7	1.021.09	+3.8	+54.2
□ tuttal	5761		-0.1	+8.2	131.50	+0.0	+10.6
Study Atreat		243 06	-4.4	-5.6	205 90	-1.4	+6.0
Turkey	(5-1)	172.28	+10.2	+64.8	5.832.04	+12.7	+95.1
I THE NEWS	151	336.96	+21	+22.7	483.29	+3.8	+29.8

To arrive this per me computers an arrowing from the compact Frank Bank data. Dec 1988-160 encept those maked and the compact that takes 31 tool (sharing tools) follow a 1991, (filled of 1991, (filled of 1992, (filled of The first quarter of 1996 was good for the Latin American equity markets, notes ING Barings in its latest Latin American strategy publication. Mr Tim Love says, however, that US short-term rates are casting a shadow over the region, while there is some

+0.6

+7.7

Local Local Currency % chg Index on day

155,08 140,07 101,71 116,08 100,96 109,94 135,32 151,75 133,92 339,25 50,665 51,29 119,87

424.03 915.81 224.19 63.20 185.22 339.66 283.34 103.79

225.11 143.79 160.13

185 33

200.92 180.87 249.13 117.19 141.37 254.71 154.97 251.49 145.49 174.29 125.68

134 73 278 53 259 07 137 47 167 12 189 48 180.95 127 27 144 26 225 88 158.96 180.21 254 58 179 17 203 11

163.56 142.20 196.10 114.78 120.13 174.75 129.63

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248.31 184.19 282.17 180.23 200.72 232.30

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that US short-term rates are casting a shadow over the region, while there is some evidence that the flow of mutual funds to the Latin American markets has begun to slow down after January's \$30hn and February's \$21hn. Nevertheless, Mr Love, who published his views prior to the release of the US March employment data and Wall Street's sharp fall on Monday, says that with a continuation of liquidity and some stability in US short rates, "Latin American markets can now concentrate on domestic fundamentals and valuations". ING Barings maintains a modest, long term overweight position in Brazil, "despite the immense volatility risk from the legislative changes in this highly charged period. Over the quarter, Brazil has been one of the best performing markets in the region, and the most dangerous to underweight." markets in the region, and the most dangerous to underweight."

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ENCAP ACTUARTS WORKER WORKES

NATIONAL AND REGIONAL MARKETS

Figures in principles of their

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US technology shares Continent witnesses a flurry of records

Plenty of records were set in FFr214.40 after announcing continental Europe yesterday, 1995 figures broadly in line continental Europe yesterday, with FRANKFURT, for instance, lifted by dollar strength which brought the Dax index to an all-time high, gaining 26.76 or 1.1 per cent at 2.530.02. However, the market came off the boil later and the Ibis session saw the index finish at 2,525,59.

The strong dollar helped export-oriented stocks, particularly the car makers, such as Volkswagen, up DM9.80 at DM536.80, and Daimler Benz, DM19.50 ahead at DM820, with respective closes in the Ibis of DM534.90 and DM817.

PARIS moved higher during the day, although the CAC-40 index lost some of its early strength to close 12.23 ahead at 2.093.94. Turnover came to

Expectations that the Bank of France could trim interest rates at today's policy council meeting was a contributing factor to the day's advance.

Eurotunnel was a significant feature as the stock rose for the second consecutive session in reaction to good March traffic figures for the shuttle vehicle service, and sugges-tions that there had been a good take-up of demand during the Easter holiday. The shares firmed 5 centimes to FFr5.30.

with consensus estimates. Analysts said, however, there had been disappointment that the group bad not made an announcement recarding the possible sale of its Indosuez investment hanking division. The stock had been supported in recent weeks on speculation that the bank might be sold. ZURICH saw scepticism overcome the enthusiasm that

had greeted speculation about a merger between CS Holding and UBS on Tuesday, and the shares of both suffered as investors turned their attention to SBC.

Profit-taking left CS Holding SFr1.25 down at SFr113.75 and UBS SFr24 lower at SFr1,283 as analysts dismissed the likelihood of a merger in the near term, citing domestic anti-trust concerns, differences in corporate culture, and signs that UBS was actively opposing any

SBC, by contrast, picked up SFr6 to SFr437 as a number of analysts recommended investors to switch. The broader market was

link.

firmer, hut closed off its best, with the SMI index up 7.1 to Ciha rose SFr9 to SFr1,429 and Sandoz was SFr18 higher

the most active issue of the

day, rose YI to Y372 and NKK

Speculative stocks were

higher, with Shinko Electric

appreciating Y10 to Y1,100 and

Kanto Special Steel Y20 to

In Osaka, the OSE average

moved up 109.43 to 23,132.04 in

Hopes of an improvement in

relations between Taiwan and

China, now that both sides

have expressed a willingness to

resume talks, helped TAIPEI to

The market was also encour-

volume of 63.7m shares.

Roundup

a 10-month high.

gained Y2 at Y322.

nary shares for 1995. Suez lost FFr2.60 to at SFr1,344, but Roche certifi-

FT-SE Actuaries Share Indices THE EUROPEAN SERIES Opes 10.38 11.06 12.00 13.00 14.00 15.00 Close Hoorly citanges FT-SE Eurotrack 100 1844-21 1846-78 1845-86 1845-22 1846-46 1645-82 1643-36 1643-25 FT-SE Eurotrack 200 1703-35 1705-81 1704-49 1704-42 1705-25 1703-76 1700-14 1701-29 Apr 2 Apr 1 Apr 4 Agr 9 1625.48 1630.25 1685.33 1669.81 1693.77

cates eased SFr20 to SFr9,760. Swissair jumped SFr23 tn by 19 per cent. SFr1.316 on better than expected results from Crossair, its regional airline subsidiary.

MILAN remained on the upward track as investors continned to take a more optimis-tic view of the outlook for the April 21 election and as Morgan Stanley, the US investment bank, reiterated its positive view on the market. The Comit index rose 13.59 to

607.48, while the real-time Mibtel index added 236 at 9,744. Mr Richard Davidson at Morgan Stanley said that pessimism over the outcome of the election had been overdone and that any surprises were

likely to be positive. Most blue chips were higher, led by a L243 rise to L6,148 in Eni after the company announced, late on Tuesday, a L215 dividend payable on ordi-

Fiat picked up L138 to L5,319

as the group reported that its March car sales in Europe rose

HELSINKI put on 2.2 per cent in a lively session which saw cyclical shares supported by a firm dollar and as forestries picked up on reports that pulp prices may have bottomed out. The Hex index rose 38.62 to 1.832.91

Tampella, the engineering group, surged 31.9 per cent in immediate response to news that Sweden's Svedala had offered a merger, a move regarded hy some analysts as a hostile takeover hid.

Tampella, which has been aelling off loss-making divisions after making deep losses in the early 1990s, jumped to a high of FM9.10 before easing hack to finish a net FM1.80 ahead at FM8.70.

MADRID was at a year's high, supported by a firm bond market and peseta, and the general index added 2.08 at

interest, hut construction issues closed off the day's

highs after news that the Sev-

enth Malaysia Plan would

include construction projects worth M\$200bn had triggered

SINGAPORE was spurred

higher by bargain hunting in

hanks and properties and

demand for Malaysian over the

counter stocks as the Malay-

sian dollar firmed against the

Singapore currency.
The Straits Times Industrial

index finished 7.85 firmer at

HONG KONG was weak for a

third straight session and the Hang Seng index declined 29.82 to 11,077.55 in thin turnover of

early buying.

2,389.98.

346.67. Construction stocks gained ground on selective demand. Dragados rose Pta15 to Pta1,765, Cubiertas Pta150 to Pta8.350 and FCC Pta100 to

Pta11,170. OSLO attained an all-time high in beavy trading as sentiment was encouraged by a rise in oil prices, a lower than expected March inflation figure and falling interest rates.

The Total index saw a session's high of 785.95 before losing ground to close 9.23 up at 785.26. Kvaerner B climbed NRr7 to NRr227 after the group announced a new oilfield contract worth NKr435m. Norsk Hydro, which said it was finalising plans to recover an additional 560m barrels of oil from the Troil field, put on NKr5.50 at NKr290.

- -

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1,000

AMSTERDAM soared to a record high, the AEX index advancing past the 540 level. with steady conviction. The index rose 7.79 to 544.77.

in STOCKHOLM, Svedala dropped SKr10 to SKr210 as the Affarsvärlden index edged 0.9 higher to 1,864.2.

Astra B fell SKr13 to SKr292 on news of cuts in some Losec prices in Sweden, and poor sentiment towards pharmaceutical shares in the US.

Written and ediled by Michael

the morning, mainly because

they had overshot in a sbort

MANILA was lifted by hopes

of good corporate earnings and

continued encouragement from

The composite index moved

SYDNEY was dragged higher

by technical factors which left

the All Ordinaries index up

SHANGHAI's hard currency

by demand for Shanghai Yao-

B index was propelled ahead

hua Pilkington Glass. The

index picked up 0.444 to 50.017

as Yaohua Pilkington rose

ahead 31.63 or 1.1 per cent to

squeeze late on Tuesday.

steady inflation data.

close at 2,994.43.

HK\$4.3bn. Brokers said the \$0.060 or 5.5 per cent to \$0.960.

ASIA PACIFIC

Strong \$ propels Nikkei to four-year high

Tokyo

arbitrage purchasing, Domestic investors and foreign fund managers bought large-capital shares. However, profit-taking depressed high-technology and semiconductor issues, while leading shipping companies were sold.

against 613m. The Topix index of all first section stocks rose 4.73 to 1,669.71 and the Nikkei 300 firmed 0.70 to 310.12. Gainers led losers by 624 to 446. with 159 issues unchanged In London the ISE/Nikkei 50

index put on 3.44 at 1,450.82.

Mining shares were higher on a recovery in gold futures prices. Domestic institutions and individual investors bought Sumitomo Metal Mining, which rose Y30 to Y1,070, and Dowa Mining, Y13 ahead at Y559. Higher crude oil prices encouraged buying of oil refin-ers. Arabian Oil climbed Y90 to Y5,080 and Teikoku Oil jumped

Large-capital steels and ship-builders were bought by bro-

Local

Index

152 85 169.11
141.40 141.27
161.89 157.73
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118 95 532.39
908 05 9771.41
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62.89 63.60
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333.13 280.80
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163.95 285.54
179.13 225.82
201.81 225.88

18-21 201.50 245.54 160.60 180.60 209.03 221.99 248.73 297.48 128.94 116.62 171.87 142.05 140.85 185.05 196.81 255.44 262.26 146.57 154.54 190.78 222.51 251.18 293.58 142.86 244.99 186.17 159.10 174.15 209.05 184.26 225.93 242.36

279.41 202.83 142.17 160.89 178.88 211.20 180.34 180.54

The weighted index climbed

178.31 or 3.2 per cent to

5,768.03, and the financials sec-

Active buying intensified in

late trade after Moody's said it

had assigned long and

short-term deposit ratings of

A2 and Prime-1 to Talwan's

major state banks: First Com-

mercial Bank, Hua Nan Com-

mercial Bank and Chang Hwa

RUALA LUMPUR picked up

1.6 per cent nn steady huying

of hine chips by local and for-

eign institutions, and the com-

posite index closed 17.84 higher

among the blue chips, ending

Telekom Malaysia led gains

Commercial Bank.

at 1,151,74.

tor jumped 6.5 per cent.

Emiko Terazono in Tokuo.

The 225-share index added 47.53 at 21,791.70 after moving between 21,772.71 and 21,870.68. The closing level was the highest since February 10, 1992, when the Nikkei finished at

The dollar's rise above Y108 prompted buying in the futures market, which triggered active blue chips, while individual investors sought speculative

Volume was 660m shares,

202 7.4 162.68 199.26 168.11 27.881 169.15 170.25 109.87 199.32 133.09 305.17 255.18 276.11 171.73 196.88 167.70 174.38 146.95 451.19 232.87 267.91 215.82 82.71 57.21 164.82 137.75 561.96 425.77 1237 14 791.99 231.22 235.13 85.49 76.26 243.79 213.32 465.21 355.81 437.76 338.91 175.89 134.05 362.28 241.23 252.34 181.86

Moody's Investors Service tional investors. Nippon Steel, assigned to several hig banks. ued to attract speculative soft for most of the day hy a sharp fall in index futures in

Profit-taking eroded early gains, but the rise in the dollar above the Y108 level encouraged buying by domestic insti-tutions, lifting the Nikkei average to a four year high writes

A fall in the book-to-hill ratio which measures the supply and demand balance of semiconductors in the US market depressed high-technology stocks. Microchip makers were weak. with NEC down Y10 to Y1.260 and Fujitsu losing Y10 to Y1.030. Advantest, a semiconductor equipment manufacturer, declined Y80 to Y5,120 and Tokyo Electron shed Y20 to Y3,840.

It pays to follow

aged by the ratings that the 70 cents up at M\$23.50.



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Consistent Transparent And first to the market every day.

Those are just a few of the reasons to foliow the IFC Invastable* index (iFCI*).

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For more information on the IFC Indexes, contact the Emerging Markets Cata Base Group at (202) 473-9520, facsimite (202) 676-9299, or e-mail emitb@ric.org

vear high

record RUSSIA

Campaigning for the middle ground

Chrystia Freeland assesses the conflicting forces and reputations at stake in an unprecedented electoral battle

On October 25, 1917, the day after the Bolsheviks seized power, share prices on the St Petersburg stock exchange held firm. Like rabbits caught in the headlights of history, rust of Russia's aristocratic, multilingual, westernised elite could not quite believe that their country was in the grip of e revolution which would claim millions of human sacrifices and deform the lives of three generations.

Seven decades of brutal communist rule and the tumultnous political and economic unheavals of the past ten years have made Russia's new elite far less complacent. Just two months ahead of presidential elections which could return the communists to power, Russla is a country on tenter-

Television anchormen and senior politicians casually predict that over the next few weeks there will be a coup in Moscow organised by President Boris Yeltsin's hardline cronies or e large terrorist ettack within Russia launched by Chechen separatists. Equity prices are at e historic low, as the nouveaux riches keep their money in Swiss bank accounts as insurance against e possible communist revanche while red, Soviet-era, directors, emboldened by the shift in the political winds, ask sympathetic courts to re-nationalise their

These jitters are provoked by the question which is looming over Russia today: will the communists win the June 16 sidential ballot? Although Mr Yeltsin has been steadily rising in the polls, the most recent survey showed that in a

two-man race 37 per cent of heirs have not forgotten. voters were prepared to support Mr Gennady Zyuganov, the Communist leader and candidate of a broad left-wing coalition, against 29 per cent who said they would back the Even senior officials in the

Yeltsin administration admit that the historical pendulum is swinging against them. As the victory of former communists in elections across eastern Europe suggests, the transition to e market economy is a wrenching social process which leaves voters angry and nostalgic for the past even in countries where, et least on paper, the standard of living has risen. Moreover, in Russia the anti-reform reaction could well be stronger than in eastem Europe, because so many Russians are poorer than they were in the dying days of communism. Poles elected a former communist president last year even after their reformers had delivered two years of the highest economic growth rates in Europe. By contrast, in Russia last year the economy continued to shrink and average incomes declined

As Mr Nikolai Ryzhkov, former Sovlet prime minister and e senior figure in the leftist bloc, argues: "The opposition's great advantage is that it is not responsible for what was done in the country over the past four or five years, but Yeltsin is. People's nostalgia is not for nothing and it is not only among the old. People say, yes, we were not rich, but we were not poor. People could live and eat and travel to visit their families."

ful today because they have preserved a highly effective organisation which is able to channel this amorphous discontent into votes on election dev. It was Lenin who first taught Russian communists the over-arching importance of a smoothly functioning party machine, and it is a lesson his

The communists are power

Paradoxically, the commo-

nists' muscular grass-roots organisation, built on the backs of thousands of Russian bobushkus, means that, at least in opposition, the party which produced Stalin is today an avatar of democracy.

Mr Yeltsin's own law-en-

forcement agencies have caught over-zealous presiden-tial backers within the governmant abusing their official posts to coerce state employees into signing pro-Yeltsin peti-tions. Other parties, too, have engaged in the (perfectly legal) practice of paying for signa-tures in an effort to collect the necessary one million. Only the communists, who have already established a network of election observers to guard against fraud on voting day, can afford to remain aloof from such practices.

But for all the communists natural advantages of e deeply aggreeved populace and an efficient organisation eble to transform this malaise into votes, Mr Yeltsin has been steadily gaining in the polls. If the current dynamic continues Mr Yeltsin, who enjoyed only half Mr Zynganov'e popularity in January, could be within 3 or 5 per cent of the Communist leader by voting day.

Many of the most popular explanations of Mr Yeltsin's apparent resurgence - and arguments for why he will win in June - are specious. One of the most common, especially within the corridors of the Kremlin, is that the president'e control over government officials and company managers across the country will swing the elections in his favour.

But this conviction that the presidant's nomenklatura can deliver the vote ignores one of Mr Yeltsin's most important achievements - the creation of democracy in Russia. As the December parliamentary elections, in which communists triumphed over the pro-government party, showed, regional



The President's guard in the Kremiin: adjusting the ornate uniform of a past are in preparation for protecting the incumbent in years to come James (a)

can no longer control the voting of their residents or employees. Many of them may not even try; they were in power under the Soviet regime and they might be confident of keeping their jobs if the com-

Another frequent line of reasoning is that, on the fateful hour, Russians will vote for Mr Yeltsin because seventy years of communist dictatorship have bred a deep national eversion to e leftist revanche. But it stretches credulity to argue that Russia, homeland of the Bolsheviks, is today more anticommunist than Poland, which flercely resisted communist rule five decades ago but elected a neo-communist president by a narrow margin last

Ironically, if Mr Yeltsin is reelected in June it could be thanks to his communist credentials, rather than his democratic ones. Unlike the defeated reformers of eastern Europe.

who had been political dissidents in the Soviet era, Mr Yeltsin had been one of the world's highest- ranking communist leaders, a candidete member of the Politburo. The radical shift in eastern Europe, where former political prison-ers took over the government, was far more gentle in Russia, where the old Soviet elite remained in place, but changed

its ideological colours. As Mr Kakha Bendukidze, e entrepreneur, explains: "Yeltsin is really the leader of the social-democratic wing of the Communist Party of the Soviet Union. The other wing of the old communist party, all the tough Marxists, are today's Communist Party of the Russian Federation."

In many ways, the lack of a real alternative to the old communist rulers is Russia's tragedy. It accounts for Russia's failure to launch truly radical market reforms at the very outset, as Poland did with spectacular results, and for the extremely corrupt character of Russia's "reformist" govern-

But on election day, his communist credentials could ect in Mr Yeltsin's favour. No matter what he does, the president can count oo the liberal vote. which makes up some 20 per cent of the electorate: Russia's diehard democratic minority is likely to pnt aside its deep-seated disgust with Mr Yeltsin in e run off between

him and Mr Zyuganov. The real prize is the centrist majority, which is nostalgic for the security of the communist era but does not want a return of wild-eyed leftist revolutionaries. And unlike the bona fide democrats of eastern Europe, Mr Yeltsin and his ex-communist apparatchiks may be able to win over the Russian middle ground. Mr Yeltsin and his comrades are their country's natural party of power, and in the fight for Russia's conservative electorate they may ulti-

mately seem more trustworthy

old Soviet elite which went on

to form today's Communist

party. in order to win the centrist vote. Mr Yeltsin and his supporters have mounted an all-out campaign to persuade Russian voters that Mr Zyuganov's party is dominated by bardcore leftists who will seek to expropriate private property, bring beck wege and price controls and could even

> leader is elected in June. As Mr Anatoly Chubais, the architect of Russia's bold mass privatisetion programme, argues: "This kind of policy (of the Communists) will lead to big bloodshed in Russia. Business leaders in the west who try to support Zyuganov will be responsible for the blood if he is elected president."

provoke a civil war if their

But the moderate wing of the Communist party, led by Mr Zyuganov, is anxious to make the opposite cese. He Continued on Page II

IN THIS SURVEY

 Politics: president Yelstin faces a real challenge from the system and opponents in June's presidential elections

 Economy: 1985 was either a year in which the transition towards a market economy was made or one in which the opportunity was lost

Foreign policy: Yevgeny Primakov, foreign minister and the former head of the KGB, has e forceful but subtle style boosting Ru diplomacy

 Military: a peace plan been unvalled to end the Vietnam-like war in Chechnya. The armed forces are week but contain packets

 Banking: the new generation of bankers could be poised on the brink of redica) reform possibility of their leader Gennady Zyuganov, being elected president raises serious questions about Russia'e future policies

 Capital markets: the authorities are striving to extraordinary and wild

 Culture: artists seek a Agriculture: it is better off down on the private rather than state-run farms Moscow guide: the well heeled do not suffer discomfort

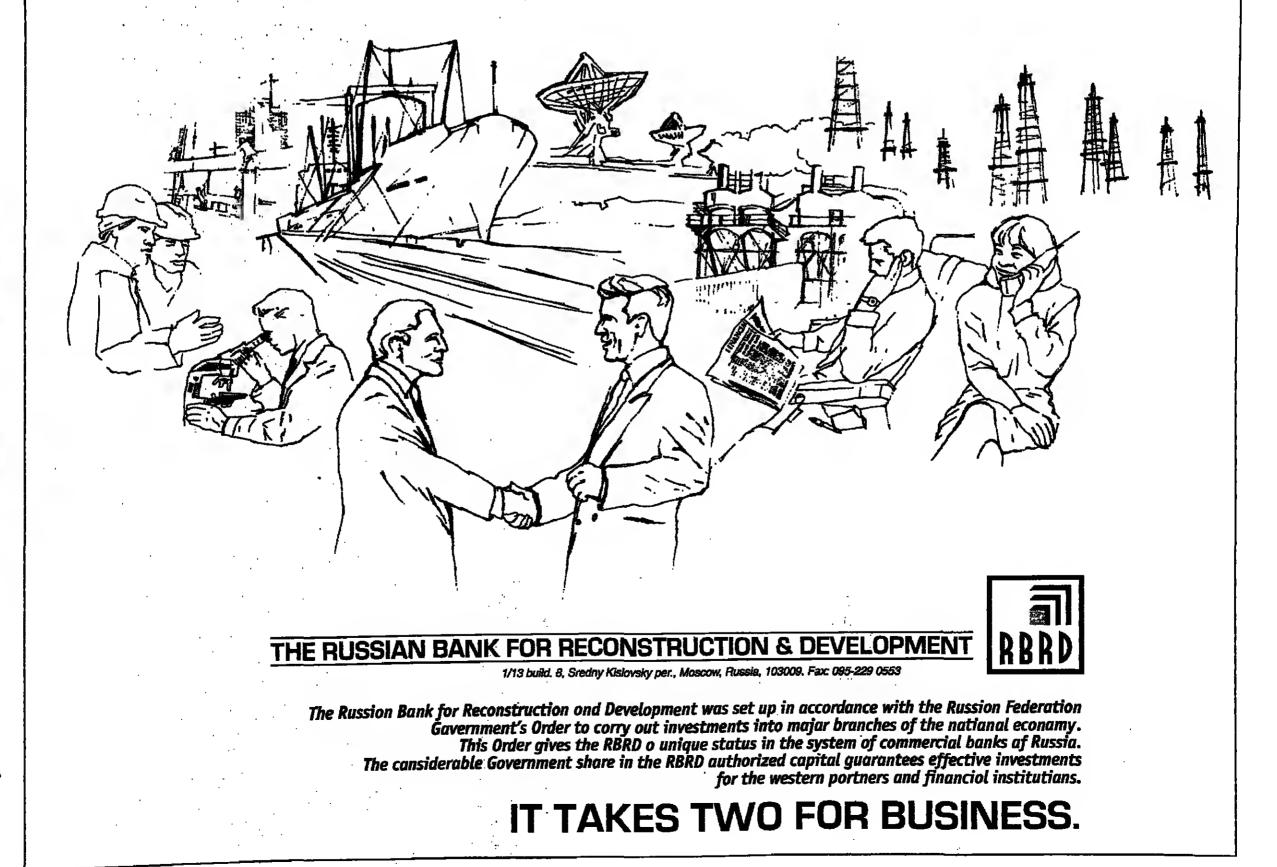
 Profiles: Aman Tuliev, e prominent communist with miners' support; Oleg Soskovets, the powerful first deputy prime minister, and Rem Vyakhirev, the chairm of Gazprom

 The North: this bleak region, remarkably rich in resources, still remains underdeveloped Off: the future structure of this industry is uncertain

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in search of the paragon

Democracy is an alien system in a country where civil war and revolution are institutions

In one of his increasingly frequent television appearances, Russian President Boris Yeltsin recently asked reporters to pass on a message to Mr Gennady Zyuganov, the communist leader who is his principle challenger ahead of June presidential elections: "Tell Zyuganov he still doesn't need an armoured personal carrier to come to work at the parlia-

Mr Yeltsin was joking, but his comment was a reminder that democracy is still an alien system in Russia, n country where civil war and revolution are venerable national institutions. The most telling sign of democracy's fragile roots in Russian soil is the extent to which, just two months ahead of the June 16 presidential hallot, many influential observers continue to wonder whether elections will take place at all.

The most recent scare which prompted the president's reassuring message to his communist rival followed the Russian parliament's controversial decision last month to annul the treaty which formally dissolved the Soviet Union. Two days after the vote Russian authorities, saying they feared a bomb had been planted in the parliament, set up police barricades around the building and barred mem-

failed attempt by the bard-line faction in the Kremlin to persuade Mr Yeltsin to dismiss the legislature and call of the presidential ballot, using the treaty vote as a pretext. Mr Yeltsin fiercely rejected the allegations, but the entire incident served as a timely reminder of the volatile atmosphere in which sovereign Russla's first presidential elections are being beld.

Even so. Mr Yeltsin's repeated and public pledges that the presidential vote will be held on schedule, together with intense pressure from the west to stick to the democratic timetable, have succeeded in convincing most observers that the elections are not likely to be called off.

But many analysts remain concerned that the government may try to manipulate unfairly the ballot. There are already ahundant signs that Mr Yeltsin intends to throw the full

behind his bid for re-election. Most of the leading figures in the government have openly joined Mr Yeltsin's campaign team, a combination of official and political duties which is ripe for abuse

Freedom of the press and electronic media, one of Russia's most precious achievements since the collapse of communism, could also be in jeopardy. Russia's two stateowned television channels have reverted to the fawning pro-government stance of the Soviet era, only now it is communists not capitalists whom they vilify.

More worryingly, NTV. the independently owned televi-sion station which has hravely covered some of the Kremlin's biggest mistakes, such as the war in Chechnya, appears to be sliding over into the Yeltsin But in Russla's young

democracy, using the govern-



on television bosses is seen as one of the inevitable, if undestrable, advantages of incumbency. The real test is whether the voting itself and the counting of the ballots will be free and fair. In this respect, many analysts fear that one of the most dangerous periods could be the gap between the first and second rounds of the vot-

According to Russian law, a candidate can be elected president on the first ballot only if he or she wins more than 50 per cent of the total votes cast. Optimistic Communist party

activists hope that Mr Zyuga nov will squeeze through in the first round, but most independent pollsters and analysts predict that none of the contenders will garner the neces sary outright majority. If that happens, the president will be elected in a second round of voting, a run-off between the top two candidates in the June

Many observers fear that the most flagrant abuses could take place between the first and second hallots, particularly if Mr Zyuganov enjoys a strong lead going into the final round. One structural loophole which could invite foul play is the lack of fixed date on which the second round - if there is to be one - must be held.

Instead, Russian law only specifies that the Central Ricc. toral Commission must publish the results of the first round within three weeks and that, in addition, the second ballot must be held no later than two Conventional wisdom, and

of market reforms, was a hate figure for the communists: in January, Mr Yeltsin sacked him. The communists promise

> provinces where regional governors rule with all the autocratic vigour of feudal lords or of communist party secre-

President Boris Yeltsin: pointing during one of his frequent pre-elect

most opinion polls, predict that

no candidate will win in the first round, leading to a run-off

between Mr Yeltsin and Mr

Zyuganov. In anticipation of

that confrontation, both men

have begun moving into the

win over the broad swathe of

centrist voters who will deter-

mine the outcome of the elec-

You can see quite an inter-

esting process," explains Mr

Nikolai Ryzhkov, a former

Soviet prime minister and a

member of the broader leftist

coalition supporting Mr Zyuga-

nov. "Zyuganov will move

from the left to the centre and

Yeltsin will do the opposite

and try to move from the right

The convergence - at least

on a rhetorical level - has

already been remarkable. Mr

Anatoly Chubais, the architect

to the left."

middle ground, as they try to

As Mr Sergei Kovalyev, the former dissident who resigned as human rights commissione this spring, told Mr Yeltsin in an open letter: "You began your democratic career as an aggressive and energetic fighter against official lies and party despotism, but you are ending it as a docile instrument of the will of the cynical and power-hungry people who surround you...Today, you are promoting yourself as the only

alternative to Zyuganov and Zhirinovsky. Yon shouldn't, because there are more similarities than difference

to annul "illegal" privatisation:

Mr Yeltsin's cabinet ministers

have taken to making similar

pledges and his courts are

already reviewing the legality

The communists have vowed

to recreate the Soviet Union

and, under their domination,

the parliament has annuled the

treaty which dismantled the

USSR: Mr Yeltsin has created a

new "union" with Belarus and

promises to bring in other

nent reformers have stoically

endured Mr Veltsin's shift to

the left. Their rationale was

captured by Mr Chnbais, who,

despite his humiliating dis-

missal, is now turning his for-midable organisational talents

to the president's re-election

Chubais explained. 'My main goal is not to allow Zyuganov

to become president of Russia

and ... my understanding is

that the only way to reach this

"My logic is very simple," Mr

Some of Russia's most emi-

epublics.

of many privatisations.

Russians have not yet been offered a true alternative to the old communist elite

between you and your rivals." Disillusioned Russian demo-

MOCKAN

crats like Mr Kovalyev have a hleak perspective of Russia's instinctively gloomy intelligentsia risks obscuring the transformation which the country has undergone over the past decade. Thanks to the radical changes set in motion by Mikhail Gorbachev and kicked into high gear by Mr Yeltsin, Russia has hegun a metamorphosis that neither

But other prominent democrats are nnconvinced. Although they share Mr Chubais's loathing of the communists, they argue that because of his shift towards increasingly nationalistic and leftist policies, the incumbent can no longer be viewed as the reformist candidate. Instead, a group of Russia's

goal is to support Mr Yaltsin."

erances to pass on a mes

leading liberals, including a former Yeltsin cabinet minister, announced earlier this month that they would support Mr Grigory Yavlinsky, Russia's leading reformer outside the government. As a pragmatic rationale for their move, they cited polling results which show that, while Mr Yeltsin has higher overall ratings, Mr Yavlinsky stands a better chance of beating the commu-

nist candidate in a run-off. Another dark horse is Mr Vladimir Zhirinovsky, Russia's flamboyant ultra-nationalist. Although the extremist leader has been falling in the polls,

country today would need to be as tough as Thatcher, as smart as Nixon, speak as well as Clinton, have the patience of the pope and know Russia Mr Zyuganov's hardline compoint. Unlike their eastern European neighbours, Rusrades nor Mr Yeltsin's corrunt sians have not yet been offered a true alternative to the old communist elite, hnt instead must choose between what amounts to two wings of the old nomenklatura. Yet the

cronies can stop for long. No matter who they elect in June, Russia's voters will be part of a historic achievement. If the presidential elections are held freely and fairly, they will mark the first time that Rossian voters are given the right to oust their national leader at the ballot box. After a millennium of autocracy, the emer gence of democracy in Russia is a tremendous step forward, even if, in contrast with 1977, the political upheavals upset the St Petershurg stock

Cassandras have begun to

point out that Mr Zhirinovsky

is perennially under-rated and

warn that a Zyuganov-Zhirin-

ovsky face off in the second round remains a distinct possi-

At the opposite end of the

spectrum is Mr Mikhail Gorba-

chev, the former Soviet presi-

dent, whose decision to run in

June sparked a flutter of inter-

est in the west, but has been

almost completely ignored in

Most of Russia's disaffected

voters would probably agree

with the verdict of Mr Kakha

Bendukidze, a Moscow entre-

preneur. In Mr Bandukidze's

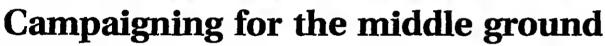
view. "The ideal presidential

candidate doesn't exist, he

probably hasn't been born yet.

or maybe he is just 15 years

old. An ideal president for our



kicked off the charm offensive at the exclusive gathering of international business leaders in Davos this spring, presenting himself as a western European style social democrat. and, as proof of the compatihility of leftlst governments and foreign investment. pointed out that China, still ruled by gerlatric communists. has attracted almost ten times more foreign investment than Russia. Mr Zyuganov's party

has been equally assidnous at home and many prominent Russian entrepreneurs admit to contributing to Communist party coffers. This careful appeal to the husiness commiuity has convinced some western and domestic observers that, after an initial period of uncertainty, the communists are likely to revert to a softer version of the current government's economic strategy. They argue that the growing infinence of Russian financial

markets, the strict conditions attached to the \$10.2bn International Monetary Fund loan and the waxing power of pri-vate husiness in Russia will all rein in the wilder spirits within the communist coalition and push its leaders into following a centrist line if they come to power. But even the most optimistic observers say a communist victory would usher in a dangerous period of economic confusion, which could weaken Russia's fragile

market infrastructure and sabotage its hard-won financial

Sadly, many Russians are also convinced that even if Mr Yeltsin wins, a troubled future awaits their country. They fear that the president's reelection will more deeply entrench the ruling elite, which trades on its government connections to arrange profitable financial deals. Mr Yeltsin's new nomenklatura is particularly powerful in the taries.

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UNEXIM BANK was given "Euromoney Awards for Excellence, 1995" as the best bank in Russia.

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of New York, in the National Registry Company - a uruly independent share registrar. While cooperating with the federal government, the

BANK has also signed agency agreements with the administrations of the City of Moscow and the Far East as well as with 9 major industrial regions of the country. UNEXIM BANK is an authorised agent for the Siberian Accord (the interregional project development association),

In June 1995 the Bank opened its subsidiary in Genevawith authorised capital of SFR 50 million, Banque UNEXIM (Suisse). This is the first Swiss bank established with the authorised capital fully paid by a Russian bank, UNEXIM BANK is also expanding its subsidiary network within Russia.

ICFI is one of Russia's top 10 banks in terms of assets. Most of its operations are conducted in hard currencies, which account for 80% of operations. Because of this exposure the Bank maintains one of the

ICFI

leading positions on the Moscow Interbank Currency Exchange (MICEX) and the Russian International Currency and Stock Exchange. The Bank is an official dealer of the Central Bank of

Russia in state short-term treasury bills (GKO) and Federal Loan Bonds. It is an active member of Russian Self-regulated Association for Professional Equities Traders, International Securities Market Association (ISMA) and Europay International.

ICFI has been expanding credit and trading facilities with foreign banks. The international correspondent network now includes over 420 banks in 45 countries. This exclusive network has been especially helpful in the development of documentary operations.

The Bank has also developed relationships and accounts with hanks in the former Soviet republics, ICFI has enhanced its rouble operations carrying our rouble settlements with Russian banks and organisations, using innovative instruments for the domestic market such as leners of credit.

Increasing areas of activities

UNEXIM Bank and ICFI established the largest "Interros-Dostoinstvo" Pension Fund in Russia to develop a non-governmental pension system for the population at large. In 1995, branches were opened in several areas of the country in order to make the Fund available in the regions.

Interros Leasing Company was founded in November 1994 by the two Banks. The company is a member of the Russian Association of Leasing Companies and is a member of the European Association of Leasing Companies (Lease Europe). Interros Leasing Company was established to provide an alternative means to overcome the high cost of the modernising process in Russia. Leasing offers a tax-efficient method for industrial renovation, particularly for the extracting and processing industries.

> Interros Financial & Industrial Group Integrating investment capital into industrial development

Supported by the Decree of the President of the Russian Federation, Interrog Financial & Industrial Group (FIG) was established in October 1994 jointly by UNEXIM BANK and ICFI.

The aim of FIG is to combine the production capabilities and financial resources of a group of Russian industrial and foreign trade enterprises with an annual turnover of more than \$10 billion. The two banks play major roles in the formulation and implementation of FIG's financial policies. The main task of

Intervos is to attract investment into the oil, petrochemical, chemical, metallurgical sectors and to assist its members in

securing financial improvements as well as in modernising and restructuring each division.

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COC DOE TARINE



RUSSIA III

The economy: by John Thomhill

he illusion of a watershed

The public gets little sense of a 'feel-good' factor, seeing reforms only as incompetence

Future historians may record that 1995 was the watershed year in Russia's transition to a market economy in which inflation was finally tamed, public finances were strengthened, and industrial production began to revive after years of agonising contraction.

Then again, they may conclude the year was no more than an illusory ray of bope in Russia's "lost decade" as the Communist victory in the presidential elections in June 1996 sparked a new round of hyperinflation and chronic financial instability which took years to

Russia's past has continually been rewritten to reflect present realities. As one Soviet historian commented: "The trouble is you never know what's going to happen yesterday." Two very different - but perhaps equally valid - interpretations of Russia's economy are possible depending on what

bappens next. There is no doubt that Russia took giant steps towards entrenching its nascent market economy in 1995. The achievements are simply stated, no matter bow painfully won: A tight monetary squeeze cut the monthly rate of inflation from 17.8 per cent in January 1995 to 2.8 per cent by February 1996 - its lowest level

 The budget deficit was cut from 10.4 per cent of GDP in 1994 to 2.9 per cent in 1995 and

Unemployment

 $(q-2k,r)^{-1} \geq 3$

James Berger

1 - 1 - 1

for the first time was financed almost entirely by non-inflationary means through the expansion of the government debt market and external cred-

 The collapse of industrial production finally appeared to bottom out, as real GDP fell by just 4 per cent in 1995, trade was further liberalised, and exports rose by 18 per cent to \$78bn_

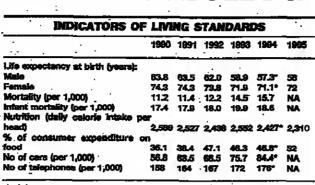
 The value of the rouble was successfully defended through the introduction of a currency "corridor" as the central bank emerged as a responsible financial institution lifting foreign reserves to \$13.4bn by October 1995. In real terms, the rouble appreciated by 42 per cent last

 The International Monetary Fund, which helped devise the stabilisation programme, backed reform with a \$6.2bn stand-by loan in March 1995 followed by a further \$10.2bn three-year loan agreed last

As a result of these achievements, Russian politicians and western economists have been quick to declare victory in the war to turn Russia into a functioning market economy.

Last autumn, Mr Anatoly Chubais, the chief architect of Russia's stabilisation programme, publicly mused about Russia becoming a Slavic tiger economy recording annual growth rates of 10 per cent.

With similar optimism, Mr Anders Aslund, a former economic adviser to the Russian government, published an upbeat book explaining How Russia became a Market Economy. And Mrs Brigitte Granville, a senior research fellow at the Royal Institute of Inter-



And, in that sense, Russian

economic reforms may yet be judged to have failed in that

they did not create a popular

understanding of the logic and

necessity of what needed to be done, discrediting the very con-

of the mass consciousness of

the Russian population, spon-

sored by Germany's Friedrich

Ebert Foundation, disaffection

with the reform process has

become fairly widespread with

43 per cent of Russians blam-

ing their families' hardshins

directly on the government's

"The greatest protest is

sation, the growth of prices

and the absence of state control over economic activities."

the report stated. Such senti-

ments have not been lost on

theCommunist party, which

According to a recent study

cept of capitalism.

economic policies.

national Affairs, followed with an unambiguously-titled tome: The Success of Russian Eco-

But the average Russian worker, who last year endured a 13 per cent fall in real income, saw unemployment rise from 7.5 per cent to 8.2 per cent over the year, and frequently failed to receive their wages on time, tended to view things differently. Industrial leaders also grum-

bled about sky-high interest rates, the corruption and criminality that seemingly encrusted the administration, and the continuing slump in domestic investment which has fallen from the equivalent of 20.6 per cent of GDP in 1990 to 15.1 per cent last year.

The public disillusion with

the government's reform programme was further inflamed by last year'e Byzantine shares-for-loans" privatisation scheme, which transferred big shareholdings in some of the country's most valuable companies to a handful of well-connected banks at seemingly give-away prices.

The absence of any appreciable economic "feel-good" factor

Inflation



Anatoly Chubais: mused about Russia becoming a Slavic tiger econo

stresses the reversal of "criminal" privatisations, the re-imposition of some price controls. and a more interventionist

This year, Mr Yeltsin has put more emphasis on social con-cerns by launching an offensive to pay delayed wages while squeezing down infla-tion - the policy which most helps the poor.

But this initiative is being evoked by the policy of privatihampered by a shortage of money as the monthly budget deficit rose to 7.2 per cent in

While praising the Russian government for the overall success of its stabilisation pro-

gramme, Mr Thomas Wolf, the bead of the IMF's Moscow office, concedes that the "one very bad outcome" of last year was that budget revenues fell way below target.

"The result was that the Russian government bad to cut back real expenditure by a beck of a lot, even more sharply than had been anticipated," he says.

The government's difficulties in raising revenues mainly stem from the inconsistency of micro-economic reform. In particular, Russia's primitive and punitive tax code has led to mass avoidance and fails adequately to cover the emerging

Real Industrial production



17,000.000 sq km 148.2 million Average exchange rate ... 1995 \$1=Rb 4,559 1996" \$1=Rb 4,735 Rouble ECONOMY 1995 7400 Total GDP (\$bn, ppp basis)4... 663.3 626.9 Real GDP growth (%). -4.0 30 GDP per head (\$)*.... 4,230 4,482 Annual average growth in:. Consumer prices (%)... Real disposable income (%)6.... -13.4 industrial output (%)... 30 -3.0 Agicultural output (%).. Gross fixed investment (%)... Unemployment rate (%).. 118.6 -6.5 -21.1 Budget balance (%GDP). Total debt (Sho) Debt service ratio (%). International reserves (Sbn). Current account balance (\$bo)... Merchandise Exports(\$bn) Merchandise Imports (\$bn). Trade belance (\$bn)..... -41.6 -46.7 17.9 22.7 Main trading partners (1994)":..... **Exports** Imports 2.6 21.4 Poland. Western Europe 16 5 Ukraine.

KEY FACTS

(1) Estimate (2) Year to date (3) Estimate unless otherwise stated (4) Based on estimated purchasing power parity (5) End period (6) ROS index (7) End Nov (8) Share of world trade Source: Datastream, ElU, Central Bank, CS First Boston

private sector. But the government's failure to close some of the most egregious tax loopboles bas also undermined its revenues and dented its credibility.

Some giant enterprises, most conspicuously Gazprom, the giant gas-producing monopoly, have been able to avoid paying their appropriate sbare of

Other privileged trading organisations, such as the National Sportsmen's Fund with close ties to the Kremlin. were also granted massive exemptions to import billions of dollars worth of goods duty-

At the IMF's prodding, the Russian government has already taken action to close such loopholes and it is possible that a second Yeltsin administration would complete a package of micro-economic reforms such as the encouragement of competition, liberalisa-

tion, and the introduction of an effective tax regime.

Arguably, Russia's economy is stronger and more stable than it has been at any point this decade and is on the brink of a foreign and domestic investment boom which is desperately needed to upgrade the country's fast-eroding industrial base.

But the government's difficulties in raising revenue, its extraordinarily high borrowing costs, and the weakness of the banking sector all reflect the economy's continuing fragility.

Mr Alexander Livshits, the president's chief economic aide, fears a communist victory in the presidential elections would shatter the delicate equilibrium delaying the day when Russia's painful reforms finally bear fruit.

"Can you imagine Zyuganov ever saying my main goal is financial stabilisation?" he

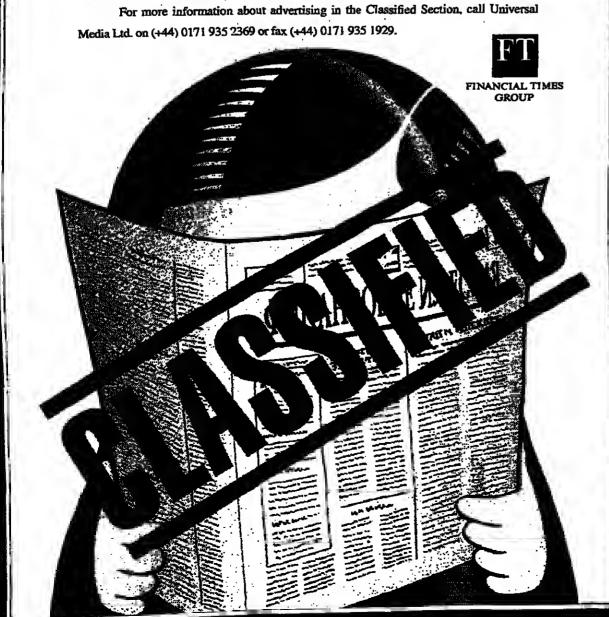
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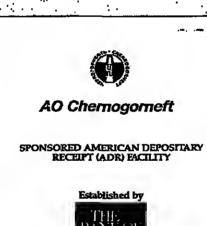
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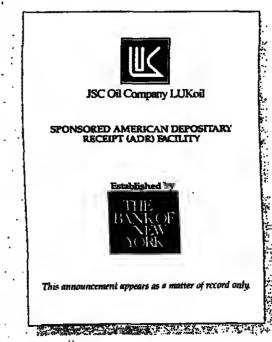
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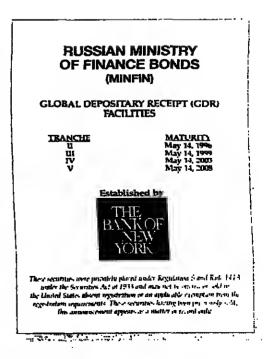






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Yevgeny Primakov, foreign minister

A forceful but subtle style

The return to a dogmatic line feared by the west has not occurred

Rarely in modern diplomacy can the appointment of a new foreign minister have set off so many alarm bells.

When Mr Yevgeny Primakov, a 66-year-old veteran of Soviet Middle Eastern policy and post-Soviet espionage, took charge of Moscow's foreign relations in January, US officials did not hide their conster-

The new minister was decounced as an uoreconstructed cold warrior, who had been too zealous by half in try-ing to head off international action against traq in 1991 -and played a tough game as bead of Russian foreign intelli-

gence after 1992.
In practice, dealing with Mr
Primakov has proved to be less terrifying than the West feared. As Russia's partoers have discovered, there are advantages in talking to a man who enjoys high standing in the Kremlin and runs little risk of being branded as a

Precisely because he inspires such healthy disrespect in the capitalist world, the appointment of Mr Primakov was hailed across a broad spectrum of Russian opinioo as a welcome contrast to the fawning pro-westernism of Mr Andrei

Kozyrev. With a forceful figure io charge, Russia's diplomats have a oew spring in their step, And Mr Gennady Zyuganov, the communist leader, has hailed Mr Primakov's elevatioo as a rare display of sound judgment by President Boris Yelt-

sin. With credentials like that, the arrival of Mr Primakov has destroyed any lingering traces of the glib optimism which marked Russian-western ties after the Soviet collapse, But his adveot has oot beralded a return to cold-war tensioo

Mr Primakov's style is more



the leading politicians in the southern republics - and is therefore well qualified to woo

Moscow's sphere of influence.

cajole them back into

The oew minister has also

sion to the Council of Europe -

dogmatic line, he tries to influence them by hinting at a

broad range of scenarios. Uoder his guidance, Russia has brought undiminished energy, and somewhat greater dexterity, to one of its main foreign policy coocerns: the campaign to stop, slow or water dowo the expansion eastwards of Nato.

While still saying that Russia would prefer Nato oot to grow at all. Mr Primakov has sketched out some intermediate options - like the admission of ex-communist states to Nato's political wing, but oot its military structure.

But his top priorities seem even closer to home, Instead of rushing to ingratiate himself in western capitals, he began his oew job by visiting virtually all the ex-Soviet republics, and underlining Moscow's desire for closer relations.

Having grown up in Tbilisi and studied at the Moscow Institute of Oriental Studies. Mr Primakov bas loog-standing connections with many of

sonally if its actions in Chechnya were viewed as an insuperable obstacle.

As intelligence chief. Mr Primakov used to say that Moscow aimed above all to stop the emergence of a "unipolar" world: in other words, preventing the US from using the Soviet Union's collapse to dominate the international order.

Taken literally, this seemed to be a warning that Russia would look for every opportunity to counter-balance US influence: by exploiting transatlantic splits, preserving old ties with India, selling arms and technology to China and Iran, and reviving its links with pariahs like Iraq and

Mr Primakov may still be tempted by such a policy: most of Russia's foraign policy of Russia's foraign policy makers are. But he is also too sophisticated not to reelise that a headlong rush into confrontation with the West would simply backfire.

Without doing anyone gratultons favours. Mr

Primakov has so far been careful to preserve the foundations Russlan-western relatio an understanding that both sides have an interest in co-managing the legacy of the cold war.

masterminded Russia's admis-Io practical terms, this means urging the Duma (unsuccessfully, so far) to by making it plain that ratify the Start-2 accord on

cutting long-range nuclear arsenals, so long as the US does not abandon the ABM

MOLDOVA

Come

Furthermore, it implies working with Washington to secure the widest possible eptance of a comprehensive test ban treaty; talking husiness with the West over nuclear safety; and entering

joint arrangements to handle the deadly nuclear material that is pling up as warheads are dismantled.

Mr Primakov's hands are also tied by political factors. He has been a faithful servant to successive masters of tha Kremlin - from Leonid Brezhnev . to Mikhail Gorbachev - and he seems loyal to President Boris

Yeltsin, who is vested by tha constitution with setting the Serving Mr Yeltsin means

avoiding any action which would wreck the relationship between the Russian leader and US President Bill Clinton.

It is, after all, a relationship in which both leaders have invested their political capital. So far at least, this has

meant that Russia avoids any action that would hopelessly undermine Mr Clinton's claim to have made the world a safe place, through careful handling of Moscow. Makings

Mr Clinton, for his part, has consistently backed Mr Yeltsin internal against bls Preserving

Yeltsio-Clinton axis has required both sides to limit the scope of some potentially serlous clashes: over Chechnya, the transport of Caspian Sea oil and over Russia's supply of nuclear technology to Iran and Cuba. But a change at the top in either Washingtoo or Moscow could bring these differences

ont into the open. If that happens, Mr Primakov will oo doubt adapt speedily to a more adversarial spirit in Russian-western relations. He would heartily agree with Senator Bob Dole's assertion

that "US geopolitical rivalry

with Russia did not end with

the demise of Sovlet

Bruce Clark



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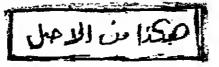
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Chechnya: by Chrystia Freeland

The makings of a Vietnam Neither weak

On top of the nainful political impact, the conflict has strained the fragile economy

When President Boris Yeltsin launched the Chechen war in Dacember 1994, he and his entourage anvisioned it as a sort of Russian version of Britain's triumphal defence of the Falkland Islands. The operation in Chechnya, which General Pavel Grachev, the minister of defence, promised would be wrapped up in 48 hours, was to be a smell, swift and popu-lar war which would boost Mr Yeltsin's flagging public rat-

More than a year later, the Chechen conflict is looking more and more like Mr Yeltin's Vietnam: a protracted. messy fight against deeply antrenched partisan forces which could prove fatal to the president's hopes for re-elec-

Although most Russians have little sympathy for the Chechen separatists, television footage of the war serves as a nightly reminder of the incompetence and brutality of Mr Yeltsin's administration.

With opinion polls suggest-ing that the Chechan war, which has already claimed at least 30,000 lives, is a significant factor in voters' attitudes to Mr Yeltsin, one of the Kremlin's top political priorities has become to find some kind of first aid solution for the conflict ahead of the Juna 16 presidential poll.

The Kremlin's boldest and most public effort to end the war is the peace plan unveiled with great fanfare hy Mr Yelt-sin at the end of March.

Appearing on national television, Mr Yeltsin promised an immediate, unilateral ceasefire and said that Russian troops would gradually be pulled back to Chechnya's borders. The Russian president also pledged to hold democratic elections for a local legislature, said he would ask tha Russian parliament to consider an amnesty for Chechen fighters and offered to enter into degotiations with Mr Dzbokhar Dudayey, the Chechen separat-

Some western governments,

which are keen to see Mr Yelt Dudayev, the Chechen separatsin triumph over his communist rival in the June ballot, hailed the proposal as a breakthrough and the White House went so far as to urge the Chechens to lay down their arms and sit down at the bargaining table with the Kremlin.

But in Moscow and in Chechnya, the plan has received a chillier reception.

Politicians and analysts. point ont that the plan is largely a reiteration of policies Russia had already been pursuing with no noteabla success.

They have described Mr Yeltsin's initiative as a pre-election ploy which has little chance of breaking the bloody stalemate in the north Caucasus. Mr Yeltsin's plan has also

failed to remove what specialists say is the higgest stumb-ling block to a peaceful settlemant: Russia's fundamental misunderstanding of the nature of the conflict in Chech-

From the very outset, the Russian government has dascribed Mr Dzhokhar

ist leader, as a "bandit" whose criminal gang would be ousted

by a "police operation." Mr Yeltsin's much-heralded peace plan seems to have done little to alter this perception: less than 24 hours after the sident announced his plan, Gen Vyacheslev Tikhomirov, the commander of Russian forces in Chechnya, insisted that his soldiers would continne to "disarm unlawful gangs," the Orwellian term Moscow has used all along to describe the entire 15-month

But, nothwithstanding the Kremlin's wishful thinking, Mr Dudayev is the leader of an independence movement which enjoys overwhelming support from the local population. The brutality of Moscow's attack on Chechnya - at the beight of the Russian bombardment more bombs were dropped on Grozny, the Chechen capital, every hour than were dropped on Sarajevo per week during the most intensive fighting in Bosnia - has paradoxically





strengthenad tha popular determination to resist Russian

"It seems to me that the top brass completely fails to understand what sort of war is being fought in Chechnya," says Mr Alexander Iskandarian, tha codirector of the Centre for North Caucasian Studies in Moscow. "But this is war of a different sort it is almost a classic enerrilla war."

As a result, Russia's political and military gains in Chechnya are quickly dissolved in the quicksand of popular support for the separatist cause. Russian generals say that the number of Chechen rebels steadily increases whenever Russian forces enter a region as the local men leave their day jobs and take up arms. Even the Russian-sponsored local Chechen police force is reportedly full of Dudayev sup-

porters who need the income of a government joh. If Chechnya is unlikely to yield Mr Yeltsin the pre-election gift of a peace settlement, it could produce a politically disastrous upsurge of fighting on the eve of the presidential

Mr Dudayev views the Russian leader as the criminal author of a "genocide" against the Chechen people and, in a recent interview, he said that he would welcome Mr Yeltsin's defeat at the ballot box.

On top of its painful political repercussions, the Chechen conflict has strained Russia's already fragile economy. Mr Vladimir Panskov, the minister of finance, says that the Rbs10.000bn spent to date on the Chechen war is one of the chief causes of the massive wage arrears which have contributed to Mr Yeltsin's politi-

As for tha Chechens, who fiercely resisted Tsarist armies in the 19th century and endured deportation at the hands of Joseph Stalin, they seem determined to fight off the newest incursion by Russian troops, no matter what the cost. As Mr Dudayev said recently: "We are much more interested in continuing the war than Russia, because what is left for us? A destroyed economy, no industry, no production. Peopla are left without a roof over their heads, without bread, without jobs."

The military: by Bruce Clark

nor strong

Political parties scramble to recruit well-known generals in a show of nostalgia for

military Strength In theory, almost everybody in Russia wants a mighty defence force. In practice, most parts of the former superpower's mili-tary machine look lamentably

weak, and in danger of getting weaker. Bastions of competence - including the paratroopers, the marines and strategic rocket forces - still exist, but the majority of Russla's 2m or more servicemen are struggling to survive in a world of brutality, cynicism and

decline. Infantry units operate with barely 40 per cent of their authorised manpower; many garrisons are short of fuel. spare parts and food; and the atmosphere of hunger and pov-erty has exacerbated the perennial problem of crime and bul-

Mr Alexander Zhilin, defence correspondent of the weekly Moscow News, recently painted a horrific picture of conditions among the Russian troops who for the last 15 months have been fighting in Chechnya.
"Alcohol or drug-induced

intoxication is the standard state for Russian servicemen,

"For every man who dies at the bands of the Chechen rebels, there are five who die through negligence or fights between servicemen."

As the authorities intensify their efforts to enforce conscription, the ingenuity of draft-dodgers - and of their mothers, a vocal anti-war lobhy - increases in response. This makes it hard to guess the exact size of Russia's

One British expert, Mr Mark Galeotti, estimates the defence ministry's forces at between 1.5m and 1.7m, while other military units, including 200,000 border guards and 270,000 internal peace-keepers, may

total about 700,000. Like most western commentators, he believes the decline of the Russian military has

some way to go. Yet the natioo's continuing nostalgia for military strength is highlighted by the way in which political parties of every hue scramble to recruit

well-known generals. Heroes as well as villains have been created by the war in Chechnya, which was waged with unrelenting brutality in the weeks leading up to President Boris Yeltsin's announce

Commanders have no choice but to go commercial themselves

ment on March 31 of a halt to large-scale operations. General Lev Rokhlin, who reversed the army's early disasters in Chechoya and captured the half-ruined city of Grozny, has become an influential parliamentarian and an eloquent critic of military incompetence.

Wbile he supports prime minister Victor Chernomyrdin, old war horses like General Valentin Varennikov, the former Soviet land forces commander, have given their backing to Mr Gennady Zyuganov, the communist leader who says "the army is the core of state."

The best-known soldier-politician, General Alexander Lebed, has not succeeded in fulfilling his hopes of a rapid ascent. Nevertheless, the burly paratrooper, who made his name in Afghanistan and Moldova but despises the war in Chechnya, is still being courted energetically by civilian power-brokers.

With political support in so many quarters, it may seem curious that the military remains in such a dreadful

But the old system - in which the armed forces simply requisitioned the cream of Rus-

A STATE OF THE STA

Day last August, to mark the 65th anniversary of the unit sia's human and material resources – is taking a long time to die: and the supposed oew system, in which the military makes efficient use of a finite quantity of fuods, bas

yet to work properly. The agencies that supply the forces with transport, electricity and food no longer do so out of patriotic duty: they charge stiff commercial prices, and they are liable to suspend their services unless they are

Last autumn, for example, a nuclear submarine base in the Arctic found itself in the dark - until, that is, the commander sent troops round to the local power station, and Mr Yeltsin ordered electricity companies to maintain supplies to the mil-

In this barsb new world, commanders have no choice but to go commercial themselves - by renting out firingranges to private firms, moonlighting as bodyguards themselves or even hiring out their equipment to curious western

Restoring the army's ability to cope with more sarious tasks is an uphill battle for General Mikhail Kolesnikov, the armed forces chief who has gained power at the expense of

General Pavel Grachev, the defence minister. But a plan of sorts exists: to

use the computence of the airborne forces to reinvigorate the rest of Russia's defences. If the plan goes ahead, four paratroop brigades will be

farmed out to military districts of the regular army, and the remaining paratroopers would be given extra tanks and artillery, to function as a 65,000strong mechanised division. As Mr Galeotti has noted.

this literally means bringing the paratroopers down to earth - and abandoning Grachev's dream of making them the core of a large, mobile force. But with most of the Soviet Union's strategic aviation in the hands of Ukraine, Russia's high command may have little choice but to abandon its wil-

der fantasles - and set about the painful task of rebuilding its strength all over again. They will oot be starting from zero.

For all its problems, the country still makes weapons - from the Shkval, an underwater missile, to the SA-10 anti-aircraft missile - that send shivers down western spines, and confirm the adage that Russia is never as strong or as

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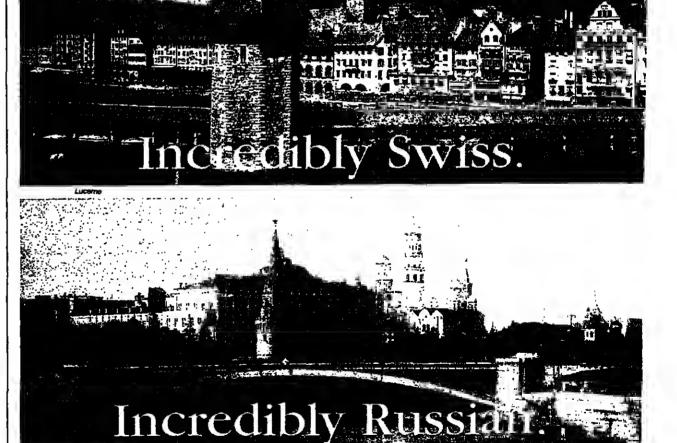
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Banking: by John Thornhill

On the edge of instability

The signs are that banks are starting to mature and move into more traditional activities

Russia's new generation of entrepreneurial hankers has few doubts that the country's banking system is on the brink of wrenching and radical

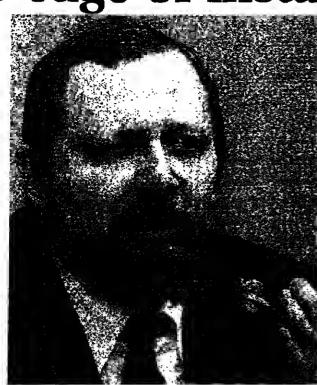
But how successfully Russia's central bank helps manage that process of change will play a large part in determin-ing the stability of the financial system in the immediate future and the shape of Russian capitalism for decades to

"Sick banks, banks that do not fulfil the rules, banks that have constant problems with their accounts and payments and settlements - these banks elther must regain their health or he liquidated," says the tough-talking Mr Sergei Dubinin, head of the Central Bank. forecasting a radical shake-out among the country's 2,500 officially-registered banks.

Russia's commercial banking sector was created from scratch in the late-1980s and has since expanded at such a ferocious rate that large parts of it are over-extended and under-capitalised. Nascent hankers, from varied hackgrounds, emerged in the dying days of the Soviet Union to found financial institutions which dabbled in a whole array of activities. Few of them, however, hear much relation to standard banking operations anywhere else.

Banks were able to make easy money taking cheap credits from the central bank and passing them on to industrial enterprises, financing imports, and speculating on the currency market where the rouble appeared to be in never-ending decline against the US dollar. Latterly, the banks have suckled on the the government bond (GKO) market where annualised yields remain above 100

Number of banks



The high inflationary envithe real value of bad loans. also provided an extra comfort factor for the banks protecting them from inevitable mistakes born of inexperience, over-amhition, and the wild husiness climate where crime is rife and "Judge Kalashnikov" has proved the only truly effective means of recovering debts.

A European Union-sponsored study of Russia's banking sector estimated that the security arm of most mediumsized hanks formed about 25 per cent of their total staff.

But the government's successful attempts to stabilise the economy in 1995 have made the business climate much tougher - as has been the case in all other transition economies. The rouble has traded within a narrow corridor ending speculative foreign exchange profits.

Inflation has tumbled to a monthly rate of 2.8 per cent in

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February imposing harsher dis-And yields in the Treasury-bill market have been dropping as foreign investors have gained A temporary paralysis of the

inter-bank lending market last autumn was the first sign that stabilisation was beginning to hit the banking sector. The central bank was forced to inject short term funds into the market to preserve the liquidity of the entire sector.

Under-capitalised banks are now beginning to fail while two of Russia's largest, Avtovazbank and Natsionalnyi Kredit, are on the brink of bankruptcy and are being protected from their creditors by the cen-

"We are going to see the number of banks decline dramatically over the next 12 to 24 months after which stability will return to the hanking sector," says Mr Jim Kilzer, head of hanking services at Price Waterhouse, the international consulting firm. "The smaller banks will simply be washed out of the system because they cannot find enough capital."

The central bank is trying to encourage mergers among the smaller hanks by raising reserve requirements and shepherding weaker participants together. In an attempt to raise the reputation of Russia's hanking sector, the central bank also stripped 315 banks of

But the central bank faces

an extraordinarily difficult

task in weeding out the weak

from the strong. Banks' report-

ing standards are lax, regula-

tors inexperienced, and the

economic conditions still

unpredictable. Auditors esti-

mate that about 30 per cent of

all bank loans are non-recover-

able and the incestuous links

between many banks' share-

holders and customers make it

near-impossible to distinguish

between the health of a bank

phyte regulator with an

extremely high learning curve

operating in a wild and unpre-dictable market," says one

But there are many signs

that some banks are beginning

to mature and move into more

traditional hanking activities

which should result in the cre-

ation of more solid financial

specialise in attracting domes-

tic savings to compete with

insurance services while a few

are beginning to invest in prop-

erty, which is used as collat-

eral for many banking transac-

More Russian hanks now

seem willing to lend to the

industrial sector and several

participated in the govern-ment's controversial "shares-

for-loans" privatisation scheme

inkomhank, ended up with large chareholdings in some of

the country's most prized

industrial assets. The banks

auggest that they can help

shake up these companies' managements, introduce

much-needed financial skills.

tal - much as old-style British

But all these activities

require new banking skills and

different frames of mind. As

yet, most banks have little

ability to analyse financial

statements, price risk, or make

long-term investment calcula-

So far, Russia's bankers have

shown astonishing entrepre-

neurial dynamism and flexibil-

ity. But their real work is only

and help raise investment cani-

merchant banks used to do.

Banks, such as Menatep and

last year.

tions in developed countries.

sinle banking sector.

inates the market

"The central bank is a neo-

and its related enterprises.

Fears of national socialism

If Zyuganov sees the economy as the first test,

■ Communists: by John Thomhill

moderation might prevail Some Russian politicians fear a

communist victory in June's presidential election would inevitably lead to financial col-lapse and bloodshed as an economically-ignorant and politically-vengeful administration destroyed the foundations of a property-owning democracy. Speaking of his former com-

rades, Mr Mikhail Gorbachev, the last president of the Soviet Union, says: "Knowing these people and the nature of the nomenklaura, I am afraid that, having gained all power, they will stop reform, take the dem-ocratic freedoms away from society and deliberately or inadvertently pave the way to national-socialism in Russia."

institutions and a more respon-Less alarmist observers predict Russia's new-born democ-Stolichnyi Bank, for examracy and market economy ple, is intent on setting up a would restrain any revanchist retail branch network and will impulses and force Mr Gennady Zyuganov, the commn-nist leader, to sdopt moderate policies in office - much as state savings bank which dom-France's President François Mitterrand was compelled to Other hanks, linked to abandon socialism and chant a investment funds, seem set to monetarist mantre in the early launch mutual funds and offer

"Like all politicians in the last decade of the twentieth century, he [Zyuganov] will also have to face the power of the financial markets, which will quickly bring him face-to-face with economic realities," argues a research report from Morgan Stanley, the US investment bank.

For his part, Mr Zyuganov promises he would lead a nign, forward-looking administration, respecting the con-cepts of a mixed economy and a pluralistic democracy but cracking down on corruption and placing greater emphasis on social justice.

It is impossible to predict which of these three scenarios would unfold in the event of a Zyuganov victory. But it would be foolish to dismiss any of them as a possibility. It is no longer clear what communism means in modern Russia nor where the limits of the politi-cally possible lie in such a fragile, half-formed market democ-

Perhaps the most serious statement of Mr Zyuganov'a political intentions came in a speech be delivered last month to his core supporters after being nominated the Communist party's presidential candidate. In a discursive address, Mr Zyuganov made no mention of Marx. Lenin, or Stalin and barely referred to the experience of the Soviet Union. Instead, he constantly stressed the themes of Russian nationalism and social justice refer-ring to communism more as a philosophical ideal than a

"I am a Russian by blood and in spirit and I love my Motherland. I entered the party believ-ing that the communist idea,



Grigory Yavansky: leader at the liberal Yabloko movement

sure of economic liberalism

that the communists and

country to the past. But to

return there is impossible for

the simple reason that we are

from the past and we have not

threat, it is perhaps worth try-

ing to distinguish between Mr

Zyuganov's intentions and his

The first restraint on a Presi-

dent Zyuganov implementing

such a sweeping programme

would be political. Mr Zyuga-

nov is likely to seek election as

a representative of a wide

coalition of anti-Yeltsin

"national-patriotic" forces

rather than as just the Com-

munist party leader. His gov-

ernment may have to reflect

Mr Zyuganov's aupporters

span idealistic western-style

social democrats to diehard.

communists, such as General

Valentin Varennikov, a sup-

porter of the hardline commu-

nist coup in 1991. who has

talked of the party having a secret and extreme "maximum

programme" - like Lenin's Bol-

sheviks. All will have to be

Moreover, the communists

do not appear to have a team

of economic experts techni-

cally capable of running a gov-

ernment. That suggests Mr

that reality. -

But, as Nato commanders used to say of the Soviet

left it," Mr Zyuganov said.

than two thousand years, most deeply reflects people's needs and aspirations. It resonates with the ancient Russian traditions of solidarity and collec-

in outlining his plans, Mr Zyuganov said he would guar-antee all citizens a job, accommodation, free education and healthcare, and a decent pension. He also promised to compensate those who had lost their savings as a result of

While promising to preserve

Zyuganov said he would annul the 1991 treaty dissolving the Soviet Union

a "multi-layered economy", Mr Zyuganov also pledged: to introduce a state monopoly over foreign trade in natural resources and strategic goods; to preserve state ownership of some branches of industry. energy, transport and communications; to stimulate the growth and competitiveness of production and reform the tax. credit and customs regimes.

On foreign policy, Mr Zyuga-nov said he would annul the 1991 treaty dissolving the Soviet Union, protect the interests of the 25m Russians living outside Russia, oppose the eastwards expansion of Nato. reform the army and restore the strength of the military-industrial complex.

From this speech, it is clear that Mr Zyuganov is no Lenin. But nor does he resemble the cuddly neo-communists of central Europe, such as Poland'e President Alexander Kwas-

As far as can be discerned, Mr Zyuganov's personal political vision appears to be to recreate a prelapsarian Soviet Union, circa 1988, and reform it along Chinese lines, maintaining nationalist political orthodoxy, strong state involvement in the commanding heights of the economy, and a fair meaexisting ministers or - as is widely rumoured - seek to embrace politicians such as Mr Grigory Yavlinsky, a radical economist and leader of the liberal Yabloko movement Even if hardline communists were to emerge dominant it is

doubtful whether they would be physically capable of implementing their policies. Russia's influential regional leaders. powerful industrial hosses, forthright journalists, and even criminal gangs would surely check any communist attempts to centralise control and renationalise property

The sinews of power also appear weak: the army has discredited itself in Chechnya; the revamped KGB has largely privatised Itself; and there are more private security guards in Moscow than police.

The immediate testlor ground for a Zyuganov administration would be in the economy. The defining feature of Mr Zyuganov's electoral plat-form is that the state will have to spend more money. Its foggi-"The ruling powers assert est aspect is where it will come their allies want to return the

Within weeks, if not days, President Zyuganov will face s stark choice of either printing money again to finance his pledges - and inevitably sparking inflation - or renegotiating the non-inflationary stabilisa tion programme agreed with the International Monetary Fund. At that point. Mr Zyuga nov might simply evict the IMF whom he has previously described as "Nazi gauleiters" But such a move would almost certainly spark a currency crisis, a collanse of the government debt market, and a confrontation with the central hank resulting in unimaginable economic and polltical consequences.

Assuming the communists understand that danger, the best guess is that moderation

would prevail, "All their instincts and ideas are from the past, given they were part of the ruling caste of the Soviet Communist Party. and there is no ideological basis for fanatical behaviour." says Mr Christopher Granville head of research at UCB. joint venture investment bank

"They want power and they will compromise with reality to keep it. The question is how long will it take and how much damage will they do in the



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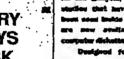
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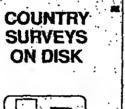
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RUSSIA VII

Reining in wild expansion

The commission has been striving to create the legal framework for fair and free markets

Mr Dmitry Vasiliev, the undemonstrative chairman of Russia's Federal Securities Commission who combines an earnest demeanour with a seemingly permanent cold, faces a truly Herculean chal-

The 33-year-old research economist is responsible for supervising the development of Russia'a unruly capital markets, which exemplify hoth the raw dynamism and alarming chaos that has characterised the country's transition to a market economy.

Born almost as an afterthought in the waka of mass privatisatinn in 1993, Russia'a securities market has experianced extraordinary, if wild, expansion with not even the most basic trading rules in

The market, which sprang op spontaneously as brokers began trading the shares nf newly-privatisad companies.



boomed in 1994 as Russian funds tried to grab stakes in the country's most valuable enterprises and foreign investors piled into what they believed was the "last great emerging market of the

century. But share prices collapsed later that year as several well-publiciaed scandals, involving secret share issues and daletions from shareholder registers, highlighted just how undeveloped the market

remained. The market value of Russia's biggest companies now languishes at about \$19hn - an extraordinarily low valuation given Russia's sizeand potential wealth.

· The government bond (GKO) market, which has grown into the government's chief source of raising non-inflationary finance, has also developed. rapidly sinca its creation in

The total stock of Treasury bills rose to almost \$16bn at the end of 1995 and could grow to \$30bn by the end of the year. But the market has been marked by extreme volatility and dogged by allegations that restrictive practices keep yields artificially - and stronomically - high.

The Russian government paya more for tha money it borrowa from investors than almost any other government in the world.

All tha while, Mr Vasiliev

and the commission's small staff have been struggling to bring greater order to the capital markets to enable companies - and the government - to raise capital as cheaply and efficiently as possible and protect the rights of both domestic and foreign

exchange: raw dynamism and alarming chaos have chara-'I consider the first steps in stock companies and investor the right direction have been protection have come into force this year defining directors obligations and successfully taken but we still have a long way to go," says a strengthening sbarebolder rights and corporate aomewhat world-weary Mr Vasiliev, who has just been confirmed as the commission's

governance.

Steps have also been taken Over the past year, the commission has encouraged to improve the liquidity and transparency of the markets the creation of tha legal themselves. Many of Russia's biggest

brokers are now linked through the Russian Trading System (RTS) which has improved the reliability of trades in the market and helped narrow spreads between buy and sell prices. Inevitably, perhaps, progress has been slower than most

investors would have liked and

particular concarns remain about the inadequacy of shareholder registers and clearing and custody But the greatest doubts surround the commission's

ability to enforce its own regulations. The commission has few

powers to fine miscreants or prosecute frandsters in the courts. Mr Vasiliav concedes the

commission is a long way from establishing the principle that those who commit crimes on

Russia's capital markets will be punished. Yet confidence in the integrity of market operators

حكذا من الاعل

will be critical as the commission tries to encourage tha formation of domestic ment funds, modelled on US mutual funds, to channel a vast pool of domestic savings estimated at \$20bn - into productive investments.

At present, the equity market is overwhelmingly swayed by inflows and outflows of foreign capital which would appear politically unsustainable.

Russian investors are playing a more important role

in the market and that is a very necessary and healthy development," says Mr Martin Andersson, chief executive of

stockbroker

rised the country's transition to a market econo

But Mr Vasiliev's efforts to build orderly markets may ultimately rely on other parts of the government pressing ahead with the reform agenda and de-politicising the economy even further.

Brunswick, a Moscow-based

Free competition must be encouraged, ownership rights must be enforceable in the courts, and a fair tax code must be introduced to ease the creation of investment funds and encourage companies to

Stock market capitalisation

WELCOMES

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report rather than conceal their profits.

Many Russian companies are wary of disclosing full information to shareholders for fear of attracting publice taxes. "You will never see a financial stateoient with real numbers in it until the government changes the tax system," says one Moscow-based financier "At the moment the companies are keeping their accounts locked up in safes because they do not want to reveal how much

money they are making." For the moment. Russia's stock market is hovering around its all-time lows. discounting a lot of uncertainty ahead of the presidential elections in June.

But some foreign investors are still prepared to put money into the market. Alfred Berg. the Nordic investment bank. recently bought 3.3 per cent of Lukoil's shares for \$130m on behalf of institutional clients.

And foreign stockbrokers predict that a flood of foreign portfolio investment will sweep into Russla's equity and bond markets if Mr Yeltsin Is re-elected, putting even more pressure on the commission to finish building the market's infrastructure.



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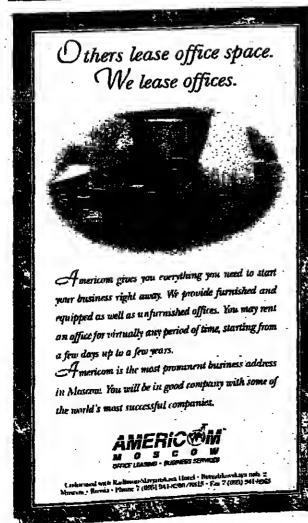
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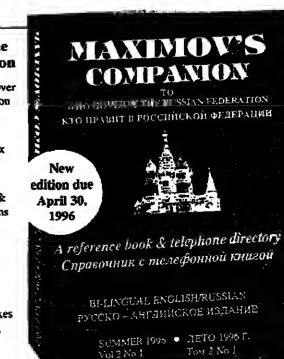
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Artists seek new role **Privately better off**

Solzhenitsyn is a sort of dinosaur, commercially unprofitable in the new Russia

If revolutions are to be judged hy an outburst of creative energy, then the collapse of the Soviet Union in 1991 has not produced artistic outpourings to qualify it for such e title.

Liberated from political censorship and with it from generous state subsidies. Russian artists felt lost and disoriented. The old familiar system of values has venished: political opposition to the state and the moral guidance of the people is no longer an exciting or rewarding business, "With the fall of the super-eropire. Russlan culture lost its supermeaning," says Anatoly Smelyansky, one of Russia's best cultural critics. "Russlan cul-ture has to find a new struc-

Finding money and discovering a new role in this increasingly depoliticised society are two main problems artists face in today's Russia.

Financially things could be worse. In spite of the tough economic conditions in the country, not a single theatre or museum has closed down. Thick literary journals continue to come out and Tchaikovsky's Conservatoire is still open, "Our primary task was to preserve what was already there, and we succeeded, "says Mikhail Shvydkol, the deputy minister of culture. But while an orchestra can tour abroad, or a theatre can rent its premises, the artistic problems

For centuries Russian literature rested on the notion that "a poet in Russia is more than a poet." Joseph Brodsky, who died this year, said in bls Nobel prize lecture that "as long as the state permits itself to interfere with the affairs of literature, literature has the right to interfere with the affairs of the state." Today the state no longer interferes with the affairs of literature; young writers have no will to criticise the state or guide the people and people do not want to be guided. They just do not care. All this makes Solzhenitsyn

something of a dinosaur. His

from the television ecreen found little enthuslasm even among the intelligentsia. Unable to compete with the new quiz shows, Solzhenitsyn's programme was finally cancelled - this time not as an act of repression, but as a response to the market. Solzhenitsyn, whose Gulag Archipelago sbook the Soviet Union, is sim-

ply a commercially unprofita-hle writer in the new Russia. Many Russlan artists are forming an alliance with the government, which, in its turn. is only too keen to display its cosy relationship with famous actors and film-makers.

Mark Sakharov, the talented director of the commercially ful Lenkom Theatre, is one who has crossed the dangerous line traditionally dividing the artist and the state. Publicly fraternising at his

Sakharov declared his loyalty to Yeltsin in a TV interview

birthday celebration with members of the government and the naw financial allte, Sakharov (referred to by Yeltsin as "our Mark") fulfils Brodsky's prophecy that the real danger for an artist "is not so much the possibility of perse-cution on the part of the state, as that of finding oneself mesmerised by the state's features, which, whether monstrous or undergoing changes for the better, are always temporary."

In a recent TV Interview. Sakharov, once a witty and sarcastic critic of the etate. declared his loyalty to Yeltsin - while just at that time, buman rights campaigner Sergel Kovalyov resigned from the presidential council in protest against the president's undemocratic policies.

Once a relatively homogenous group, the Russian intelligentsia is becoming increasingly diversified in its financial status, political beliefs, and cultural tastes.

The Moscow theatre hill ranges from Sergel Zbenovach's 10-hour adaptation of Dostoevsky's The Idiot to a 11/4Karamazov by Valerli Fokin, which digests the famous bits

of the novel and tells you everything you need to know about Dostoevsky but were afraid to ask. By contrast, in the audience, the sound of mobile telephones and pagers shows up the "new Russians". Slowly recovering from an

overdose of Big Macs and equally indigestible American cultural fast food, Russians are turning to homemade products. The Mexican soap operas which accompanied the transformation of Russia into a third-world economy are no longer in vogue.

People wetched so many Mexican soaps that they got to know more about Mexico than about their own country," says Elena Gremina, the co-writer of the first successful Russian TV serial. "Paople miss tha sound of their own language."

Gremina's 48-part series is based on the 19th century best seller Petersburg Mysteries: A Story of the Hungry and the Fed. But it is mostly "the fed": noble characters, the offended maid, the femme fatale, all in period costume - and all having as little to do with contem porary Russian life as Latin American passions. On the plus side, there is excellent acting and quality Russian lan-

The success of Petersburg Mysteries testifies to people's growing eppreciation of their own cultural traditions, including those of the Soviet age. You can knock down the monuments and rename the streets, but this is the only past we have," says Anatoly Smelyansky. Soviet relics which only a few years ago were so keenly obliterated are now back in fashion.

Unlike many other political parties, the communists did not have a media advertising campaign in the last parliementary elections. Nor did they need one, A nostalgic wave of Soviet songs and films was enough to accompany their victory in December. Should the communists come

to power in June, they are likely to restore not the cinematic illusion, but the grim reality not projected by socialist-realist films. Arkady Ostrovsky is a book Agriculture: by Sander Thoenes

Productivity has fallen at most farms registered as co-operatives or

companies to be part of the Vilyams State Farm in the Rostov region of southern Russia, many of the 350 farmers have bought new cars, built new homes and earned more than Rbs30m (\$6,000) each last year. The fields are ready for spring sowing, the cows are fat and shine with health.

"Wa gathered all the people who really wanted to work." said Mr Andrei Nesterov, a vet at the Kuznetsov association of 12 former Vilyams employees. "At the state farm we couldn't he hothered to work. Now we don't fool around. We are working for ourselves."

At the nearby Lenin Collective, a one-time model farm that used to host scores of foreign delegations, most of the 1,850 employees make about Rbsim annually and would go bungry if not for their private one bectare garden lots where they bold chickens and grow tables. Many of the fields lie ahandoned. The cows are skinny and their haunches covered in grey scabs.

"This used to be a wealthy farm, and now there is nothing," complained Mikhail, a tractor driver at the farm. "The farmers who left are doing fine. and we have nothing. If I had known it would be like this, I would have left too."

The farmers at Vilyams, named after a famous Russian agronomist of British descent are the exception. Although there are an estimated 283,000 private farms in Russia, including 16,000 in Rostov, they hold only about 40 bectares each on average and many are struggling to make ends meet.

But they are better off than most members of the 26,000 state and collective farms which still control more than 90 per cent of Russia's farm land. Most farms merely re-registered as co-operatives or com-

The ooly thing that has changed, other than the name. is productivity. The grain harvest of 1995, at ahout 65m tonnes, was half of 1970s levels; and theatre reviewer for the FT production of meat and milk



right to break awey from a

state farm and sell, mortgage

e powerful step forward toward

How they compare: facts and figures

per cent and meat 48 per cent

In Rostov, the regional

are 16,000 private farms

government says that there

working 640,000 ha and 900

state farms working 8m ha.

350 private workers, 1,850

state farmers; 340 private

per farmer: Rbs20-35m

In Vilvams/Lenin, there are:

pensioned members and 1,000

state pensioners. Hectares of

farmland: 10,380 (private) and

25,600 (state), Annual income

(private) and Hbs1m (state).

Rent per landshare: Rhs1.25m

has dropped about 50 per cent in receot years.

The market has been flooded with food imports, causing the government to raise import tariffs even though it admits that domestic producers can barely meet 60 per cent of the country's needs. The collapse of agriculture has slowed down economic recovery in other sectors; the Rosselmash factory in Rostov, for instance, sold only 6,000 barvest combines last year, down from 50,000 a few years ago. Agricultural subsidies still swallow 11 per cent of Russia's depleted fed-eral and regional hudgets.

In Russia, there are 283,000

owned by the state, according

Corporation, Sander Thomas

12m and 150m hectares and

employ 800,000 and 10.1m.

According to Mr Alexander

Zaverynkha, deputy prime

is: vegetables 88 per cent

minister, the production share

private and 12 per cent state;

cent; milk 42 per cent and 58

potatoes 82 per cent and 18 per

writes. They farm respectively

private farms and 26,000

to AKKOR association of

private farms and the

International Finance

In regions like Rostov, how-ever, many officials prefer to wait to see who will win June's presidential elections before making commitments to politically sensitiva land reforms. The ratings of Mr Gennady Mr Boris Yeltsin, Russia's Zyuganov, the Communist president, in March signed a party chairman who has made decree ordering local officials no secret of his opposition to

and 52 per cent.

to speed up the privatisation of privete land ownership, are land, reaffirming a farmer's close to Mr Yeltsin's. "It's a had decree," grumbled Mr Vic-tor Tkachev, deputy chairman or lease his land share. "This is of the Lepin farm. "It's just an election campaign gimmick. Nothing will ectually happen. real private ownership of

land," said Mr Alexander Zav-The International Finance Corporation, a member of the eryukha, deputy prime minister. "Until now, a farmer World Bank Group, has sent became owner only nominally. 250 staff into six regions to but in reality he did not." help state farms go private. Funded mainly through nearly \$21m in grants from the British Know How Fund, the IFC has assisted in 104 farm re-organisations and hopes to privatise another 50 before sowing starts in April Re-organisation frees farm members to break away and found a family farm, or to combine land shares and form

(private) and Rbs13,000 (state).

Precise figures for harvests

and the number of cows and

Vegetable production and the

gardens, though estimated to

number of cows can be largely

number of cows in private

be at 30 per cent of total

levels, do not appear in

statistics. A drop in the

attributed to their being

moved to garden lots, for

instance. In addition, state

farms have under-reported

difference to private traders

production and sold the

pigs are unobtainable.

who make up ebout half of ell farm collectives, can rent out their share to private farmers who need more than just their share to make a profit. Pensioners at Vilyams earn over Rhsim e year in rent, though much of it in kind, such as flour and free health care. "We don't pretend it's a panacea," said Mrs Catherine

e co-operative or company with

other members. Pensioners.

fant coal

3110

Gorodentsev, project leader for the IFC in Moscow. "It's a first step.

But it is a step into the dark. The lack of legislation has kept land sales and mortgages all but impossible in most regions. Banks, hurting from too many ad loans, have become loath to take harvests, equipment or farm houses as colleteral. Prices of equipment fertiliser and berbicides bave soared because too few private traders have started competing with formerly state-owned suppliers.

Meanwhile, farmers have little choice in selling their produce to food-processing plants, which have maintained ties with large state farms and keep prices down. The price of milk, for instance, has stayed absurdly low at Rbs800 for more than a year; in response, many farms have sold or

slaughtered their cows. Mr Yury Klimenko, head of international relations at the AKKOR association of private farmers, estimates that only about 15 per cent of private farmers, mostly those who managed to take equipment from the state farm and obtain cheap credits in 1991 or 1992,

are making e profit.

Daunted by such prospects, a growing number of the farms privatised by the IFC actually stays united, much as they used to be. "People are taking a wait-and-see attitude," Mrs Gorodentsev says. "A lot of farms in the east are not doing anything." At least one team of farmers

et the Lenin Collective bas tried to take its land share and leave, hut their farm is one of thousands of state and collective farms throughout Russia that are banned from breaking up. Frustrated, many pllfer spare parts of farm equipment for e bottle of vodka; recently a whole tractor disappeared.

"Wa should not be waiting, but this collective will be the last to go," predicts Mr Fyodr Kuzekbayev, in charge of 24 idle grain sifters at the Lenin Collective Farm. "We will hold on until we collapse. And only then will we reform.

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A business traveller's guide to survival in Moscow: by Chrystia Freeland

omforts for the well-heeled

A comparison of destinations found Moscow to be the world's most expensive city

In the 1840s the Marquis de Custine, whose account of his Russian sojourn has become a classic described the local hotels as "ornamented stables" and advised the fathers of wayward sons to send them to Rus sia because "whoever has well examined that country will be content to live anywhere else". A century and a half later. travelling to Russia, especially its hinterlands, can still be a test of wits and endurance. But nearly five years after the collapse of communism, in the bigger citles Russia's fledgling market economy can now offer the well-beeled business visitor

most of the comforts of home. The biggest catch is e.complaint which Russian President Boris Yeltsin is likely to hear on the campaign trail from his own citizens: in contrast with the endemic shortages of the USSR, an almost unlimited array of goods and services is available in the new Russia, hut often at prices which are steep for Western visitors, not to mention the impoverished

local population. Earlier this year, an international comparison of business destinations found Moscow to be the world's most expensive city. The survey, by EuroCost-Luxembourg, estimated the average cost of a 24-hour stay in Moscow et \$543, putting the of capitalist bastions such as Tokyo (\$516), London (\$352)

and New York (\$342). Hotel hills are the most expensive part of a trip to Moscow, which now boasts dozens of lavish, recently renovated establishments. The most glorious of the lot-and one of the most pricey at \$342 per night plus tax for e single - is the Baltschng Kempinski (tel:7-501-230-9502) whose star attraction is panoramic views of the Kremlin.

For visitors who want to be in the very centre of town, two luxurious and historic options are the National Hotel (tel:7-095-258-7000), which charges \$255 plus tax per night for a single, and the Metropol (tel:7-501-927-1000), whera single rooms cost \$310 a night plus

Business travellers trying to cut costs could try one of Moscow'e more modestly priced, mid-range hotels like the Tverskava (te):7-095-258-3000) where singles are \$230, plus tax, or, e bit further from the centre, the Aerostar (tel:7-502-224-1104) where singles, with breakfast, cost \$235 plus

Visitors eager for a taste of the old Soviet-era Russia. before the arrival of slick western consumer culture, can dare the Hotel Ukraina. Housed in one of the seven Stalin skyscrapers which dominate the Moscow skyline, the Ukraina is impressive from the outside and et \$90 per night plus tax for a single room it is a bargain by local standards. But inside,

experience, with lumpy beds, grimy bathrooms and telephones that ring late at night offering guests the companion-

ship of "pretty ladies". Moscow elso now offers a wide variety of restaurants. For an elegantly prepared, Russian-style meal, one of the best choices is 011 (tel:209-0963) a centrally-located restaurant decorated to resemble a 19th-century Russian drawing-room. Main courses average \$20.530. One of the most popular local hang-outs is Santa Fe (tel:256-1487), a large, boisterous Tex-Mex eatery, where young, prosperous Russian go to show off their newest outfits. The city's best Italian food is served at Il Pomodoro (tel:924-2931), a relaxed, cheerful restaurant whose Italian proprietors import many of their ingredi-

ents from home. The wrenching transition to a market economy has bred e frenette husiness culture in Moscow, where most business travellers race from one meeting to the next and late night appointments are not uncommon. But visitors who make the time to enjoy some of the cultural and historical sites of Moscow will be rewarded by a society which is elowly reawakening from 70 years of communist hibernation.

After visiting the Kremlin, a palimpsest created by medieval Russian tsars and Soviet commissars, a walk across Red Square to GUM, Russia's most famous department store. offers a lively example of the country's burgeoning market

it offers a genuinely Soviet economy. And Russia's rich cultural legacy is on display at the recently refurbished Tretiskov Museum, whose collection of Russian art ranging from icons to the avant-garde of the 1920s and 1930s have made it

the beloved museum of Musco-More adventurous business travellers can venture out to the open-air Izmailova market, on the outskirts of town, where Russian folk artists and central Asian rug merchants ply their wares.

Some business visitors may be reluctant to venture out into the city, or to travel to Russia in tha first place, because of e recent spate of high-profile gangland style eesassinetions of Russian finenclers. Fears have mounted after the death earlier this year of Mr John Hyden, a Scottlah lawyer, who was caught in the crossfire of one such battle in a posh St Peters-

hurg cafe, Although crime rates in Moscow and other main Russian cities are still considerably lower than in the west, husiness travellers may he more eware of violence in Moscow than in a city such as New York because of the savage character of much of Russia's husiness world.

The hest protection is to avold shady deals, but some western travel agents are prepared to provide armed bodyguards for their clients. Other sensibla precautions include being met et the airport and not hailing taxis on the streets. especially at night.

RUSSIA IX

Militant coalminers find a new hero

Pive years ago, the militant miners of the Kuzbas coalfields in western Siberia propelled Russian President Boris Yeltsin into the Kremlin by staging a protracted strike which helped to unravel the Soviet Union. But today, the Kuzbas miners have a different hero: Mr Aman Tuliev. one of the most prominent figures in the communist coalition which is leading the polis ahead of the June presidential ballot.

In one of the clearest signs of the dramatic shift in Russian politics, in the December parliamentary elections, the Kuzbas, which was once fervently behind Mr Yeltsin, voted 48 per cent for the Communists, the highest level of support

anywhere in Russia. Much of that victory can be attributed to Mr Tuliev, whose smiling, charismatic public persona belies the stereotype of communists as grey holdovers from the Soviet past.

The miners have understood that they were deceived by Boris Nikolaevich, he rode into power on their backs and now he has forgotten them," Mr Tuliev

Mr Tuliev's energetic speaking style, which contrasts with the often mono performance of Mr Gennady Zyuganov, the Communist leader, has made him the hard-line wing of the communist bloc, darling of the rank-and-file party activists who selected him as the left's "reserve" candidate for the presidential elections.

This popular following means that if the Communists win, Mr Tuliev, a 52-year-old former railway boss who is often touted as a potential prime minister in a leftist administration, could become one of the most influential politicians in

But, despite his reputation for straight-talking, it is unclear what Mr Tuliev will do if the elections fall his

Like most of Russia's senior commu politicians, just two months ahead of the presidential poll, Mr Tuliev carefully straddles a line between traditional communist policies and a modern social-democratic stance.

This enigmatic approach appears designed to attract professional and business voters, without alienating the old-fashioned, hard-core communist constituency, but it also makes the policies of a left-wing administration almost impossible to predict. On the one hand, Mr Tuliev, who is

generally seen as a member of the

has an almost perfect record of opposition to Mr Yelisin and his reform

Mr Tuliev was already a fierce Yeltsin opponent in 1991, when he was elected Russian president at the peak of his popularity. The Siberian railwayman went on to oppose Mr Yeltsin at another turning point in Bussian politics: the October 1993 stand-off between the president and the conservative . parliament.

But despite this history as a hardliner, Mr Tuliev is today doing his best to come ross as a moderate on economic is Ha is in favour of a sharp cut in taxes. which he says have forced even the best-intentioned businessmen into shady

practices in order to survive. He attacks Mr Yeltsin for making "populist promises" because they will lead to a new wave of inflation. He is opposed to re-nationalisation of enterprises which have already been sold

In a slogan which even Milton Friedman would probably approve, Mr Tuliev argues that:
"We should not argue about how to

off to urivate owners.

divide the pie, instead we should

concentrate on making the pie bigger." Indeed, instead of portraying the contest between Mr Zyuganov and Mr

Yeltsin as an ideological clash between communism and capitalism. Mr Tuliev likes to describe it as a choice between honest, well-disciplined government (the mmunists) and corruption (the current

"Today in Russia we have very, very weak financial discipline, we've never had such weak financial discipline in Russian history," Mr Tuliev says. "And why do we have this situation? Because there is corruption, corruption at the highest levels."

It would be easy to dismiss Mr Tuliev's sympathy with private enterprise as mere ection rhetoric, but, ootwithstanding his hardline image, he is popular among the businessmen of his native region.

Mr Viktor Terentiev, deputy director of the privatised Novokuznetsk aluminium smelter, says Mr Tuliev's reputation in Moscow as a modern-day Bolshevik is "a

"I've worked with him since 1979 and here we see him absolutely differently," Mr Terentiev says. According to Mr Tuliev, his friends in the Kuzbas are not alone. He says that

many banks and businesses support the communist coalition, but they have requested anonymity because they fear reprisals from what Mr Tuliev describes as "our mafia state."

Mr Tuliev believes that the Kremlin's chief election strategy is to frighten off the left-wing's moderate supporters by evoking the bloody days of Russia's first communist take-over in 1917:"They try to

scare people. They say the communists will win and there will be a civil war. But a war (in Chechnya) is already going on." For the next two months Mr Tulier will do bis best to persuade Russian voters that, ootwithstanding the communists' disastrous record, be and his comrades can bring peace and prosperity to Russia.

Chrystia Freeland

PROFILE: Oleg Soskovets by John Thornhill

Powerful and secretive

47-year-old minister certainly

prefers to work underground

shunning the political lime-

linked with Mr Alexander Kor-

This cabal supposedly

favours the more conservative,

authoritarian wing of govern-

tary crack down in Chechnya. As the senior of Russia's two

first deputy prime ministers,

and often stands in for Mr Yelt-

sin on ceremonial occasions. It

Moscow in 1994.

The senior first deputy prime minister, he is in effect number two in the government

Mr Oleg Soskovets, the first deputy prime minister who is playing a prominent role in President Boris Yeltsin's reelection campaign, is unquestionably one of the most powerful figures in the Kremlin - and one of the most secre-

With a shock of grey in his black bair and a tenacious demeanour, Mr Soskovets bears more than a passing resemblance to a badger. The

Capital Markets Report

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Soskovets: often stands in for Mr Yeltsin on ceremonial occasions

zhakov. Mr Yeltsin's chief of security and close confidente, current prime minister, would and Mr Mikhail Barsukov. last long after the elections head of the FSB (the successor and believe Mr Soskovets is his organisation to the feared most likely replacement.

That post might assume the elections - especially if the metallurgist writing more than 65-year-old Mr Yeltsin's health 150 technical articles and a tution; the prime minister tem-porarily takes over as president if the incumbent is Mr Soskowster is effectively inconscitated. The prospect of number two in the government: a Soskovets presidency, bowever brief, sends shivers down the collective spine of Russia's

was Mr Soskovets who greeted liberals. Queen Elizabeth 11 when she But teasing out Mr Soskovarrived on her first visit to ets's real political views from his public pronouncements He also met the Irish prime resembles the games once played by Kremlinologists who minister at Shannon airport wben a tired Mr Yeltsin combed the columns of Pravda famously failed to emerge from trying to read the runes. Mr his aeroplane.
It is possible that Mr Soskov-Soskovets publicly mouths the current political orthodoxy and ets' star could rise still higher the need for financial stabilisain a second Yeltsin administration: But he does so without tion. Many question whether Mr Victor Chernomyrdin, the much conviction and some-

times drops sly hints about the

need to support ravaged indus-Some of those who have worked with him, however, suggest he is far from an unthinking reactionary and that the private persona differs greatly from the public image. In a recent interview, Mr Boris Fyodorov, the former radical finance minister who could hardly be considered a natural ally, praised Mr Soskovets, suggesting he would make a more effective prime

minister than Mr Chernomyr-

din. "I know him [Soskovets extremely well as a person and I never had any problems when I worked with him," he told the Nezavisimayo Gazeta newspaper, "In contrast to Chernomyrdin, he never led me up the garden path nor made me bash beads with other ministers and was always helpful."

"Of course, he is not a reformer in the sense of political economy and expressed discontent with privatisation. But as a personality he can and does listen to the experts."

One British official who encountered Mr Soskovets pressing the flesh in western Siberia was also full of admiration for the Russian minister's natural political skills as be rapidly assimilated what his constituents wanted to say and reflected back wbat they wanted to hear.

Born into a family of workers in Taldy-Kurgan in Kazakheven more importance after stan. Mr Soskovets trained as a

Finishing of Tin-plate.
But Mr Soskovets also showed a practical managerial bent rising to become general director of the Karaganda Metallurgical Kombinat, which was one of the giant steel-producing plants of the Soviet

Like all ambitious careerists, Mr Soskovets joined the Communist party in his early twenties and was appointed minister of metallurgy just four months before the hardline coup of August 1991, which led to the dissolution of

the Soviet Union. moved into the Yeltsin camp being appointed to his current job in May 1993.

Mr Soskovets has maintained close, ties with the metals industry and has encouraged the formation of powerful financial-industrial groups (Figs), which combine the production muscle of the giant Soviet-era industrial units with the financial strengths of new

commercial banks. Rumours of corruption have dogged Mr Soskovets during his time in office - although these claims have never been substantiated.

PROFILE Rem Vyakhirev

Fighting his corner

The world of Rem Vyakhirev, the chairman of Gazprom, Russia's richest and largest company, is nothing if not expensive.

In recent weeks be has turned up in locations as varied and exotic as Turkmanistan, the gas-rich former Soviet republic on the Caspian Sea, and the Mansion on Turtle Creek, the swanklest hotel in Dallas, Texas.

He and his company's interests are equally varied. Gazprom is the world's largest natural gas producer, controlling about a fifth of total global reserves. The largest gas exporter to western Europe, it keeps thousands of factories humming and tens of millions of houses beated across Russia, the former Soviet republics and in

countries throughout western, central and eastern Europe. Gazprom subsidiaries run farms, botels, shipping companies, airlines and food

it launches its first telecommunications satellite to keep the various bits of its far flung empire in touch. Its 360,000 or so employees are seen as being the most fortunate in Russia, although even that distinction has not prevented them at times from having to wait months, like

most other Russian workers.

for their wages. Presiding over this empire from a set of luxury offices within Gazprom's new \$150m skyscraper on the edge of Moscow is Mr Vyakhirev, a diminntive man, who, as a communist apparatchik, spent a lifetime in technical and managerial positions within

Russia's oil and gas industries. Critics say he owed his position to political patronage. Mr Viktor Chernomyrdin, the prime minister, was his predecessor and remains a close friend. "We have a

relationship," he says. But Mr Vyakhirev fiercely rejects charges that the prime minister shows favouritism to the company. "Gazprom is his alma mater," says Mr Vyakhirev. "And like all older people he has nostalgia for lt.

wonderful personal

And he also knows this industry better than others. But if Mr Chernomyrdin bad to choose between Gazprom and the state, of course be would choose the state."

So is Mr Vyakhirev also nostalgic for the past? After all, he continoes to list communist era credentials in his curriculum vitae, such as the distinction of being an "honorary gas worker". His pride in the past achievements of the former Soviet gas industry is obvious, as is Gazprom's extensive attention to the social aspects of its operations. But Mr Vyakhirev says be "does not expect anything good" from a change

of regime in the June

presidential election. He also appears to bave retreated from the Soviet era boastfulness that marked Gazprom's first contacts with the western business world. The notion that Gazprom must take its time in learning bow world, and in particular with potential foreign investors in the company pops up repeatedly in Mr Vyakhirev's conversation. At times he likens Gazprom to a simple schoolchild. He also speaks of

Gazprom having to earn the "trust" of potential foreign investors over the next several years. "Wa'll wait patiently until people get to know us." Such suggestions of innocence and ignorance do not extend to Mr Vyakhirev's

understanding of the international gas market, bowever. Some western gas companies believe that he and his small group of senior advisers could set off a European gas price war in the next few years. They claim that Gazprom wants continued security with long term contracts with big companies such as Ruhrgas in Germany, but at the same time is determined to undermine such stable relationships by undercutting them through establishing new joint partnership with Wintershall the gas subsidiary of the giant BASF chemical groop.

Mr Vyakhirev is adamant

Gazprom understands the new answers of its sales strategy. His temper is tested by such arguments. "Why should I be stupider than any western cas salesman," he demands, "l want to live like any gas salesman from Norway, the UK or Algeria. We want to sell gas as expensively as

As for Gazprom's future Mr Vyakhirev says it should prove bright whatever the political circumstances, "No matter who is in power, they won't start dividing the pipelines," he says. "The system cannot be disturbed." and exports to the west will not be endangered. Mr

Rem Vyakhirev: the chairman Vyakhirev may also be proved right in his conclusion that Gazprom is simply too powerful and too important to be tampered with. But as many observers point out, It is

also simply too hig and too

Robert Corzine



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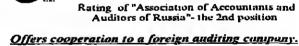
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reliable importer of computers, consumer durables and foods a typical business for new Russian companies five years ago. Untypical was its approach to business strategy. At the time when fortunes were fast made oo imports, thanks to high inflation and rapid depreciation of the rouble exchange rate, the company management concentrated on diversification. Exports replaced imports as the first source of revenue, investment and trading in securities became the second.

Large export operations began in 1992 wheo IEC started to trade in crude oil and petroleum products. Last year its share of their supplies abroad reached 10 per cent of total Russian exports. Involvement in the energy sector was followed by investment in production, refining and transportation facilities, which proved to be a rewarding asset by itself. Share prices of the Russian oil companies have been steadily appreciating in contrast to the overwhelmingly depressive situation in the

of farm land, meat processing factories near Moscow), bottling plants for non-alcoholic beverages, new technologies, housing construction and civil engineering projects in a number of "Exports of strategic commodities and financial operations are most profitable businesses in Russia today, says IEC President

Vitaly V. Kirillov. But I consider it dangerous to put all eggs in these two baskets. That is why we diversify by investing in agriculture, manufacturing and construction industries. When two years ago our turnover exceeded 300 million dollars we had to change the organisational structure and transformed IEC into a holding company. To my mind, this type of corporate management is the future of large Russian private companies." With annual turnover above one billion dollars IEC now owns

over 20 subsidiaries operating in specific markets under strategic and financial control of the parent company. Diversified business interests also made it retain permanent commercial representatives in the USA, China and Hungary. To complete the portrait of the "private Russian miracle" one can mention that IEC sponsors academic research, educational and charity programmes and promotes national culture at home and abroad. The Russian Art Gallery funded by IEC was opened last year in Geneva.

> Felix Goryunov (The author is a Russian business

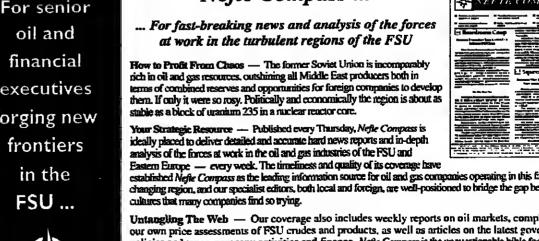
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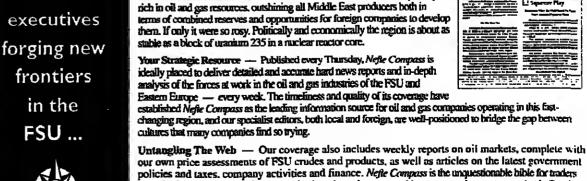
our own price assessments of FSU crudes and products, as well as articles on the latest government policies and taxes, company activities and finance. Nefte Compass is the unquestionable bible for traders doing business in the region. Investment bankers depend on our weekly reports on the nascent market in Russian

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FRNATIC

Oil industry: by Robert Corzine

Western groups proceed with care and caution

Russian companies will still continue to have need of more foreign investment

The future structure of the Russian oil industry remains uncertain, with both domestic and loreign executives awaiting with some trepidation the outcome of the June presidential election.

The re-election of President

Borts Veltsin would, many Russian executives say, mean a continuation of the process that has resulted in the creatton of powerful, vertically integrated oil companies, a number of which are now affilrated to Bussia's leading banks. Views of the impact on the industry of a communist vie-tory are mixed, however, Mr erger Muraylenko, the head of YUKOS, the second largest oil company, says, a communist victory could result in certain corrections, perhaps, but not "a 180 degree jurn away from

past policies." Mr Vagit Alek-

perov. the head of LUKoil, the largest Russian oil company and the most internationally active, is confident the present structure has proved itself. Both men cite signs of stabilisation in oil production, after years of steep falls, as proof that the vertically integrated structure is working, although many of the new holding companies are still struggling to take full control of the subsidlary production associations

decline in production, Others say the industry has been badly tarnished by the loans for shares scheme introduced last year by the government. Large parts of some oil companies were snapped up hy banks willing to lend the government money in exchange for shares.

which run individual oil fields.

Mr Muraylenko belleves that

the prestage of the industry is

higher now, in spite of the

Such tles between the banks and the oil companies have not been entirely unwelcome, bowever. YUKOS, for example,

says it is happy with its rela-tionship with Menatep, the bank with which it is affillated. Menatep provides the financial skills which were missing within YUKOS, executives say. "We told Menatep that we have great experience in production. and you are skilled in financial matters," said Mr Muravlenko.

Such marriages of industrial and financial muscle may make sense in Russia, where even the largest companies are still trying to master capitalist techniques but some potential western investors are more cautious in their assessment. fearing that in some cases the banks see the oil companies as "cash cows" ready to be milked.

inclusioo of more sophisticated financial skills within the Russian companies will also not eliminate their need for foreign investment to fund new projects. LUKoil, for example, says it bas sufficient resources with which to maintain domestic production. It needs additional cash and westero investors, such as Arco of the US, to fund its ambitious list of oew development projects in Russia and other former Soviet republics. Other companies have also paired off with western part-

Amoco of the US, upon which it has also modelled itself. Big western investments are dependent, however, on the creation of an acceptable production sharing law, an issue that is too politically sensitive to be resolved before the elec-

YUKOS

Surgut

ners. YUKOS has linked with

tion. The legislation which has emerged from a long and painful parliamentary process is seen as flawed by most interoational oil companies. They remain sanguine, however. "It was a giant step from where they were, so does it really matter that they missed the step by balf an inch? We can remedy that," one western oil

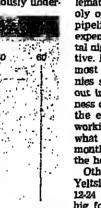
man observes. Some Russian companies, including YUKOS have lobbied strongly for a law that would allow large western-financed

There is no certainty the tax regime will be stable enough to take risks

projects to proceed but no big project is likely to begin until a number of amendments to the legislatioo are made.

There is still no certainty that any tax regime will stay stable enough for companies to risk billions of dollars, and no agreement on binding international arbitration in the event of disputes.

Western worries have been fuelled by the problems encountered by the few foreign-funded projects which have begun to operate in Russia, such as Conoco's Polar Lights joint venture. This has had a number of new taxes applied to it in recent years, all which have seriously under-



mined its viability. The project is now cash positive, say Conoco executives, hut no dividends have been paid to the sbareholders. "Normally the first international company to enter a previously closed country is the hig winner," said one Moscow-based oil man, "but that is not the case in this country." Western groups also worry than any market openings may prove short-lived. "They may let us in for five years and then kick us out," says another executive. Confidence has also been undermined hy cases where agree-me ots with the Russian government have been torn up. But some hig oil companies

concede that they have not done enough to rally support for foreign investment. There is widespread suspicion of western oll companies in Russia, in part because they have failed to get the message across that oil investments will create thousands of jobs in Russia, says one executive. Some foreign oil companies have also demanded assurances from the Russians that would not be required in many other parts of the world. Smaller foreign companies appear to be more willing to take on higher risks, although the projects in which they are engaged are relatively small in

The legal and tax framework is not the only worry for potential foreign investors in the oil sector. Transporting oil to export markets is also problematic. Transpeft, the monopoly operator of the hig export pipelines, is "unpredictable, expensive and an environmen tal nightmare," says ooe executive. Even with such problems, most of the big western companies seem prepared to stick it out in the hope that the husiness climate will improve after the election, "When you are working on a 50 year project, what is another month, three months or six months?" said the head of a US group. Others say that even if Mr

Yeltsin is elected, it could be 12-24 months before the first big foreign-financed project is



Dorado still untapped

Moscow politicians worry about a division being created with the rest of Russia

The thousands of kilometres of snow-swept tundra in Russia's Arctic regions hide a treasure trove of oil, natural gas and

other resources.
Some inhabitants of the far north believe it will only be e matter of time before the development of euch resources transforms the sparsely populated area into another Kuwait ers, citing the total absence of roads, railways and other infrastructure in much of the area. are less optimistic.

But few dispute that the northern economy could "slowly die" without a massive injection of investment in the region's natural resources.

Many inhahitants of the far north are clearly struggling to come to terms with the new

area, some 1,000 miles north-east of Moscow, 7,000 Nenets, a nomadic people, live off the reindeer berds that move across the bleak tundra.

in the Soviet era not only did
the government huy all the
reindeer meat they could produce, but it also sent helicopters to transport it to market. Now the Nenets are discover-

ing what market forces mean in a remote Arctic area. Some sit for days outside the oil exploration camps that dot the region in the hope of selling the frozen sides of reindeer meat that are piled high on

"Most, however, just don't know what to do with their venison," says one local offi-cial. "Nor do those on remote settlements on islands in the Pechora Sea know how to pay for the firewood needed to sustain them through a winter."
Those at the opposite end of

the technological spectrum are finding the going equally tough. Many of Russia's nuclear submarines were huilt near the port city of Archan-gel. But those orders have dried up and civil contracts are rare and unpredictable.

The discontent in the region

caused many people to support the ultra-nationalists of Vladimir Zhirinovsky in last year's parliamentary elections.

But it is hard to see how the north can be developed by Rus-

sian efforts alone, especially when it comes to exploiting the oil and gas reserves which, many officials say, is the only certain way to kick start the

Some officials see oil and gas as a panacea. They say revenues from royalties could subsidise the traditional way of life of the Nenets and Komi, the other nomadic people in the far north, while billions of dollars in western investment would breathe new life into the moribund factories of Archangel and smaller settlements. Certainly there is no short-age of development proposals will never be fully exploited from US, French and other foreign companies. A number of large oil and gas fields were discovered by Soviet geolosists, although only a few were developed because of the

remoteness of the area, the complexity of the reservoirs European markets. and the Soviet oil industry's focus on the giant fields of stern Siberia But the north's very remoteness is an attractive feature to some western companies. No

big Russian oil companies operate in the area, so "unlike, ping on anyone's toes," says one western oil man. "And there is no risk that the oil is not there," according to Mr John Capps, the bead of

Conoco's Polar Lights, one of

the few western-financed projects which is up and running in the north. In addition the quality of the oil in the far north tends to be high, although exports from the region are currently mixed in the main Russian pipeline system with lower grade crude

oils and therefore do not attract a premium price. That situation could be remedied, however, if a dedicated export pipeline from the region is huilt. Such a scheme appeals to many foreign oil companies which are wary of the bottlenecks and environmental disasters which have occurred in the old Russian system.

Both Russian and foreign oil

until a regional transportation solution is agreed on. Not surprisingly many in the region argue strongly in favour of e dedicated northern terminal that would boost the local economy and allow oil exports to be sent directly to northern

Such schemes have caused concern among some Moscow politicians, wary of any project that might reinforce the separation between the far north

The federal government will have to support the cheapest transport solution

and the rest of Russia. Neigh-bouring republics to the south, such as the Komi republic, are also critical of a northern route, as they want the pipeline tariffs that would result

from a pipeline to the south. Mr Vladimir Bytova, an entrepreneur and politician in Naryan Mar, the administrative centre of the Nenets region, dismisses fears that a northern route would loosen ties to the rest of the country. He argues that the federal government will have to support the cheapest transportation solution, which he says will be

Like many in the north, he believes large-scale development of oil and gas will be needed to provide jobs to the area's young people. Mr Bytova started his business career by selling reindeer horns to South Korea, But he says "young peo-ple now don't have the same opportunity to start e busi-

The consensus on the importance of developing the area's resources does not extend to who should benefit most from their exploration. Most of the oil fields, for example, lie in the Nenets Okrug, an autonoonly 46,000, of which about 7,000 are indigenous Nenets. Under the present system it would share most of the wealth with the federal government in

But little income would accrue to the more heavily populated region around the port city of Archangel, which already acts as an administrative, technical and support centre for western oil companies

operating in the Nenets Okrug. Some politicians envisage a single government for the far north. That, they say, would give the area a stronger voice in Moscow and Justify demands for a bigger slice of the revenues from natural resource

But for others any scheme to share the wealth more widely would mean putting an end to their dreams of creating a Russian Kuwait.

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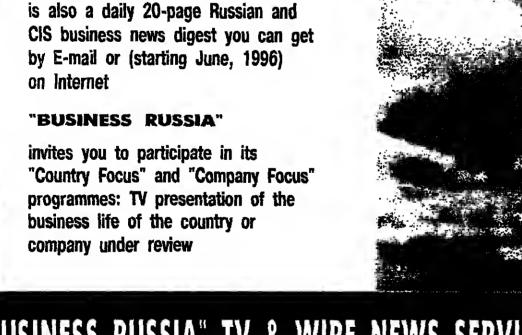
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INTERNATIONAL HOTELS

Serious competitors vie for global status

Big hotel companies are busify making cross-border deals in their quest to transcend their national origins. Scheherazade Daneshkhu reports

t a recent presentation in a London hotel an Italian hotels company announced it had struck an agreement for a Scandinavian-American counterpart to grant It the franchise to run a Scottish hotel it had recently pur-

A deal involving such a variety of nationalities - the Ital-SAS of the US and Sweden, and the Airth Castle hotel in Stirlingshire – is typical of an industry as international as the hotels husiness.

Although cross-bordar ties are hecoming an increasing feature of the market, there is still no single hotel group that is really global, according to tha Economist Intelligence Unit. It found that the most geographically widespread companies were represented in than a third of all countries, leaving a lot more ground to cover before any company can lay claim to

by a small number of big partleipants", according to the EIU. Holiday Inn. ITT Sheraton and Marriott are in the strongest position to reach global

Tha largest groups in tha international hotels industry are striving to achieve this goal. Thay are seeking to expand principally through franchise or management con-tracts. Their growth is being propelled by the revival of iness travel and an increase in worldwlda tourism, although regions are at different stages of recovery. The US is the most advanced while many European countries are still relatively depressed.

With the larger economies recovering from recession, the world hotel market has bounced back, according to the hotel consultancy Pannell Kerr Forster Associates. "After years of crippling price compe-tition and low occupancy rates around the world, only those regiona dogged by political instability or terrorist activity, such as the Middle East, or experiencing economic slowdown, such as Germany, are still being squeezed," says Mr

Alan Hopper, PKF's chairman. Hogg Robinson, the business travel agent, conducts an annual survey of room rates this year concluded that an upturn in husiness travel worldwide has led to a thriving hotel industry worldwlda. Increases in the average



tha most competitive room rates," he says. "However, the

now created a sellers' market and hoteliers are starting to

Added to the recovery in

business travel is growth in

tourism - an industry which is widely expected to be the

world's largest by the turn of the century. "Business demand has matured and is following a

cyclical pattern," says Mr Paul

Slattery, lalsure analyst at Kleinwort Benson, the invest-

has the most potential to grow and in the US, hotel companies

have been building leisure

resorts. This has not happened

in the UK, the other major

hotels market, where hotels

have instead lost out to non-

hotel forms of leisure accom-

modation anch as Center

Leisure demand has yet to develop in other parts of the

world, says Mr Slattery, who

believes the next big market

will be the Far East, "Tha

potential is almost frightening. Forget about the international

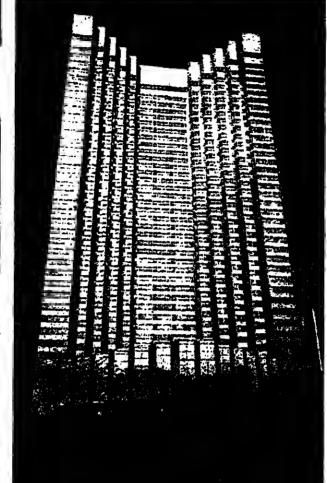
traveller and think about Chi-

maximise their yields."

will be needed to accommodate them. The same will be true of

With such growth factors, hotel companies are keen to aalze avery opportunity to grow in what has become a very competitive market. Mr Jim Fisher, vice president of development at Marriott International says: "Our goal is to become a global company not a regional one." He believes the key to expansion outside the US lies in the relatively small proportion of branded hotels

In the US 70 per cent of hotel supply is part of a branded chain, but internationally the proportion is roughly 20 per cent, giving companies seeking a worldwide brand scope for mergers and acquisitions as well as franchising and management agreements. "There is



The Asakusa Hotel in Tokyo: the Far East will go on growing Gyn Genn

very significant push towards consolidation among the major brands internationally and we see a significant opportunity to realise our goals," says Mr Fisher.

That consolidation, along with branding and international affiliation, has been a notabla feature of the industry in recent years. ITT Sheraton's acquisition of Ciga, the Italian luxury hotel chain and Forte'a purchase of Méridien in 1994 were followed last year by a number of other mergers. These include the purchase by Dusit Sindhorn, a Thai company, of 50.2 per cent of the Kempinski German luxury hotel group and the acquisition

by Singapore-based CDL Hotels Group of the Copthorne hotel chain from Aer Lingus, the Irish state-owned airline, Marriott International filled a gap at the luxury end of its portfolio by taking a 49 per cent stake in Ritz-Carlton, the

Atlanta-based group. Mr Alex Kyriakidia, partner in charge of worldwida hospitality and lelsure at Arthur Andersen, accountants, believes strategic alliances will increase and will be driven by a variety of factors. These will include the ability to plug gaps geographically and strengthen a segment, whether at the npmarket, midmarket or budget end. Such alliances

IN THIS SURVEY

rich mena' tova

allow companies to make cost

savings because of their greater combined purchasing

power and a lower requirement

for investment in information

technology for the develop-

lenge facing the industry, says

Mr Kyriakidis: "Hotel groups

invest between \$20m to \$50m

per annum in an area that is

outside their core skills. The

result is ofteo systems that do

not deliver or are barely able to keep up with the technology demanded by the consumer."

Smaller hotel groups fccl

threatened by the largest hotel

chains owing to the costs of

developing central reservation systems. Some hotels, particu-

larly independent ones, have

formed marketing consortia,

such as Relais & Chateaux or

the Leading Hoteis of the

Others have teamed up with larger companies. When the

fledgling, privately-owned Bon-

aparte hotel group rehranded four of its six Italian hotels as

Radisson SAS in February, Mr

Glanluigi Facchini, its presi-dent said: "I am expecting

important strategic and opera-

tlonal synergies to devel-

op ... through the entry of our

group into their Pierre reserva-

tion system, one of the leading

sector." The deal allows Radis-

son SAS to move rapidly into

Similarly, the joint venture

agreement struck last year

between Southern Sun, South

Africa's largest hotel operator

and Inter-Continental Hotels

and Resorts to operate hotels

in southern Africa, gave

Southern Sun access to Inter-

Continental'a worldwide mar-

keting and distribution, while

allowing Inter-Continental

rapld entry into an emerging

However the largest hotels deal this decade did not take

placa between two hotels

groups. Instead tha £3.9bn

takeover of Forte, the UK's

largest hotels group was by

Granada, the UK television and

leisure company. It sims to

integrate Forte'a roadside res-

taurants and midmarket and

budget hotels - Posthouse and

Travelodge - with Granada's

The company intends to dis-

own operations.

southern Europe.

ment of reservations systems. Information technology is undoubtedly the major chal• Regions: the industry in the US, Europe, Asia and

 Growth: splitting property operational management Trophy hotels: no longe



facility, from business suites Women executh Favourite hotels: four of

 Loyalty programmes: tempting customers who are already spoit US budget hotels: a good deal for guests and operators

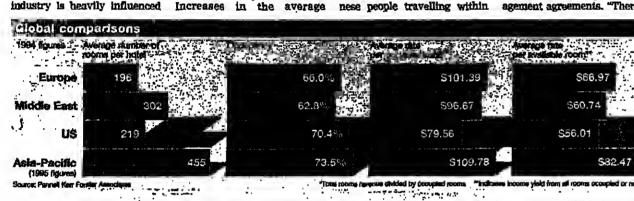
 Airport hotels: location is their main recommendation

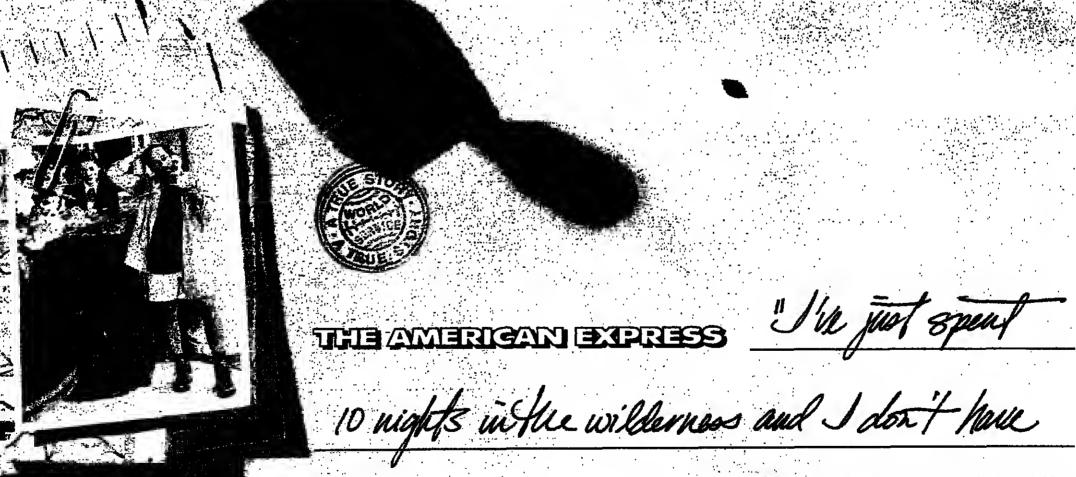
Jonathan Guthrie Graphics: Robert Hutchison,

pose of Forte's international hotels - the Exclusive and Méridien groups which have a book value of £1.6bn - and to sell Forte's 68 per cent stake in the luxury Savoy group of hotels. This presents many companies and wealthy investors with an opportunity to reinforce their presence in markets in which they are not well represented. Granada's preferred option of selling to a single buyer raises the prospect of an interesting auction.

The industry is hoping for another good year although according to Mr Gates, the early signs are that business is not as buoyant as last year. He says: "1996 will undoubtedly prove a good year for hoteliers. They should not expect the phenomenal success of 1995 but trade will almost certainly surpass that of 1994." The international hotel indus-

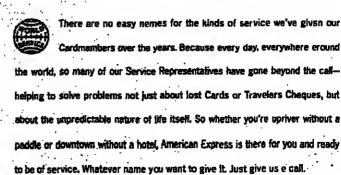
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Profits chase prices upwards

Rate increases rather than occupancy growth are pushing up profits

Two years ago a visiting colleague of Mr Bjorn Hanson had no trouble finding a place to stay for a husiness trip to New York, Last year, however. ment at the same hotel until they found her a room. It cost her \$220 a night, nearly 60 per

cent more than the year before. That experience may have been frustrating, but for Mr Hanson, who beads the hospitality practice at Coopers & Lybraod, the US consulting

and accounting firm, it was hardly surprising. It is simply evidence of the sharp rise in occupancy and room rates that has helped the US hotel industry achieve record profits.

The current state of the lodging industry is as favourable as it has ever been in the industry's history," he says. But he is quick to add that for all of the positive news of the past few years, the seeds of bad news are slarting to grow. in 1991, amid a sharp down-

turn in profitability, most of the industry's revenue growth came from rising occupancy. Now most of the profits growth comes from rate increases.

Last year the average room rate rose about 5 per cent to \$67.34, the second consecutive year where rates rose more than inflation, according to Smith Travel Research.

Mr Hanson is wary of all the good news: "When we get to those sorts of rate increases that means we're about to peak." he says. "The period (since 1993) in which every year has been better than the prior year is nearing an end." There are signs already that

demand for rooms is decreasing, even as the industry goes on a building binge. In the first quarter of 1995, Smith Travel Research found that the percentage change in room growth exceeded the perceote change in demand for the first time since the company began keeping track of the fig-

An estimated 82,000 rooms extremely efficient. were built last year, with a The occupancy rate most similar number coming on

stream this year, marking a

sharp rebound from 1993 when

only 32,000 new rooms were

built. All that new construc-

tion comes as demand growth

is expected to slow to 2.6 per

cent from 3.1 per cent.

chalked np record losses.

botels must currently achieve in order to break even is about 63.3 per cent, the lowest it has ever been. That gives management room to undershoot last year's occupancy rate of 65.5 per cent and still make a

Demographic trends are These sorts of statistics incite worries that the industry working in the industry's favour: the US economy contin-ues to shift toward the service entering another period like that from the middle of the sector, which should create 1980s to the early 1990s when it more business travel; the "haby boom" generation of But while the pace of earn-Americans born in the 1950s ings growth may slow. Mr Hanare in their peak years for earning and travelling, and the son says the industry is probably not about to start losing money. The bear years led to a weaker dollar has brought period of restructuring among hotels that has made them more foreign travellers to the

negement fees 3.5%

Asia: by Bethan Hutton

Europe: by Andrew Jack The outlook is gloomy

The main preoccupation is filling rooms in old hotels, not building new ones

As the French city of Lyon prepares to host the Group of Seven summit of international heads of government in June, its hoteliers bave something to celebrate. All their rooms are already full booked for the

duration of the meeting.

It is a situation of which counterparts elsewbere in France are envious, Local politicians and business executives are meanwhile fighting to raise long-term capacity hy trying to find an investor to back the construction of a new highquality international hotel.

While there are some pockets of optimism around Europe notably in the UK. Spain and Italy - much of the rest of the continent is struggling to maintain occupancy and room rates during a testing time for the tourism industry and for local economies.

"Europe has pretty modest growth and profits," says Mr Paul Heath, an analyst with UBS in London. "Paris is very tough and Germany is partly because of planning reg-extremely patchy, although it ulations and a lack of sites, extremely patchy, although it ulations and a lack of sites, is better further south. There and partly because of the busiare boom conditions in the ness cycle. We are in the Spanish hotels meanwhile.

He says the priority at the moment for most hotel operators is to fill existing rooms rather than to build new ones. He adds that there is always the possibility of US chains developing a presence despite the current poor health of the

Mr Heath says that the performance of the industry is largely a function of economic growth. Judging by recent downgraded estimates of 1996 growth hy the leading continental European nations, prospects for the year are not very positive on this basis.

Mr Stanley Dixon, a director of Pannell Kerr Forster Associates, a consulting firm, says that one of the strongest markets at the moment is Loodon. His latest estimates for higher quality hotels in the UK capital show levels of occupancy that are high and growing: 81.9 per cent in 1995, up 2.2 points on 1994. Average room rates rose

Two cities enjoyed booms in occupancy last vear: London and Rome

the same period. "London is hooming," he says. "It is short of stock, upswing." He adds that the relatively low value of sterling has belped hoost the number of

10.8 per cent to nearly £112 in

visitors from ahroad. Rome was another bright spot last year. Occupancy rose to 80.2 per cent, reflecting the weakness of the lire, and average rents were up 8.2 per cent



Riding high: Lyon's occupancy rate is higher than Paris's

to L215,196 (\$137). Equally, occupancy in Amsterdam rose 1.7 points to 71.6 per cent, with rates up 4 per cent to almost F1203 (\$123).

Things look bleaker elsewhere. Paris, affected by both the strong franc and boycotts

in 1994, and average daily rates edged up by just 1.3 per cent to FFr1,193 (\$238). by tourists objecting to its con-The difficulties of the slowdown in Germany have helped contribute to a 0.3 point decline in occupancy in Frankfurt to 69.4 per cent. In Lisbon occupancy fell 4.7 points to 56.3

> ferred Portugal's beaches to its Meanwhile analysts warn that interest in budget hotels is continuing to grow, a factor which means good business for developers at the bottom end of the market, but bad news for prospects of any short-term rise in room rates over the coming months.

per cent - tourists have pre-

troversial decision to restart

nuclear testing in the South

Pacific, suffered especially.

Occupancy was at 63.5 per

cent, down from 67.6 per cent

emand outruns supply

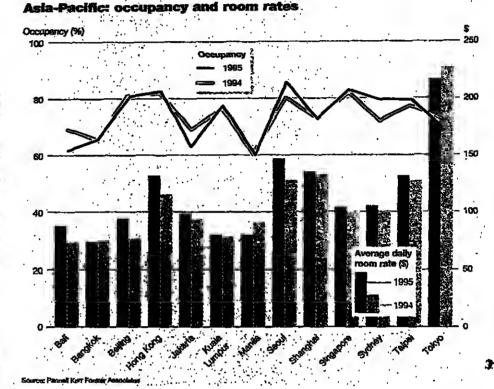
Construction of new hotels cannot keep up with the demand for rooms in some countries

When the Hong Kong Hilton was demolished last year to make way for an office development, it sent shock waves through the colony's hotel industry. Hong Kong had always set the standard for hotels in the Asia-Pacific region: could this be a glimpse of a wider future trend?

So far, the answer seems to he No. Hong Kong may have lost its Hilton, but there are several other four and fivestar botels under construction. The Hilton group says that reestablishing Its presence in Hong Kong is a priority. And throughout the region botel rooms are proliferating at a breathtaking rate - though in some cases, not fast enough to cope with demand.

All the hig international chains are expanding in Asia. Japan is the most sluggish market, and might be thought to have reached saturation point, hat the Méridien group is opening a second hotel in Tokyo this year. Indonesia, Malaysia and Thailand are the sites of the most intensive development, both for innercity business botels and beach and island resorts.

India suffers from a severe shortage of top-class international botels, particularly in New Delhi, where occupancy rates can exceed 100 per cent, but relief may be some time coming. Many of the large



ing Hilton, Holiday Inn, and Marriott - have development ambitions for India, and the main local operators Taj, Oberoi and ITC are also expanding. But hureancracy and a shortage of land in suitable locations are proving to

be tough obstacles. One new five-star hotel in New Delhi has been sitting completed but unoccupied for more than a year, while its owners grapple with the local

tional groups have found that an easier way into the Indian market is to link up with a local partner and redevelop existing hotels, sometimes under a co-branding arrange-

Rapid economic progress in the Asia-Pacific region has spawned newly-affluent miding a taste for tourism in their own hack yard. Average incomes are not yet high

enough for them all to patronise Hiltons and Marriotts, but they are demanding higher standards and a more international focus than old-style local hotels can offer. There is therefore

expanding market demand for internationally-oriented hotel chains offering reliable service at a two or three-star level.

Australia-based Accor Asia-Pacific, an offshoot of the French group best known for its Novotel and Sofitel hrand names, is one group catering to this trend. The mid-range Novotel brand is its main focus, with 27 Novotels scheduled to open in 1996-98. Accor is also planning more developments within its more basic Ibis brand: nine Ibis hotels are dne to open in Indonesia within the next two years, six In Thailand, and others in Malaysia and Vietnam.

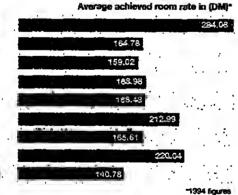
Another emerging trend at the other end of the price scale is the construction of smaller. European-style luxury bontique hotels, aimed at international travellers tired of the impersonality of the 500-room mega-hotels, but still demanding high standards of service

Latin America: by David Pilling

Europe: occupancy and room rates

Room occupancy (%)*





Mandarin Oriental, Hong Kong. In a city built on business, a hotel built on service.

Where to find the rest of the World's Finest Hotels & Resorts The Oriental, Bangkok

Kabala Mandann Chental, Hawan Marshoon Orental, Jakarta Mandana Crental Maria Mandane Viental Mande Mandonn Orental, San Francisco The Oriental, Smarpore Hotel Majapahit, Surebaya Baun Tahng Nam. Keh Simur, Thadan! Phuket Yashi Clab. Thusband

Hotel Bela Vista, Macan Mandana Caestal, Kuchi Lungur (1997)

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Region shines again

The 1994 financial crisis caused only a temporary halt in construction of new hotels by developers

The Mexican devaluation of December 1994 has taken some of the shine off Latin Amerca's economic transformation but the region is still regarded as one of the most promising by the world's hoteliers. "Most people see Latin Amer-

ica in general and certain markets in particular - such as Argentina, Brazil and Chile as very exciting points of opportunity," says Mr Roger Titley, head of a Miami-based hospitality consultancy. In the years before the 1994

devaluation, new hotels had begun to sprout up all over Latin America as developers sought to exploit the opportunities being created by the reform process. Continent-wide liberalisations and fast rates of real economic growth were attracting a flood of business travellers to the region.

Hotel chains which had previously associated Latin Amerlca with instability and protected markets were tempted to the region. In Buenos Aires, for example, quality new hotels

and Intercontinental were built, competing at the top end of a market previously dominated by Sheraton. Mexico's confidence-sapping

devaluation stopped some hotel construction projects dead in their tracks, including two planned Sheraton botels in Guadalajara and Montarrey. But in many other countries. with the notable exception of crisis-torn Venezuela, investment has carried on apace. Even markets that were previously of little interest to hoteliers, such as Cuba and Peru. have found favour.

Latin America's biggest economy, Brazil, which is tentatively emerging from years of chronic mismanagement and hyperinflation, is perhaps the greatest prize of all, both on the business and leisure fronts. Delegates to hig conferences in Rio de Janeiro, for example, are often unable to book rooms in five-star hotels hecause they are fully

According to Mr Titley, Hilton, Intercontinental, Hyatt and Marriott International are all actively evaluating investments in Central and South America. Marriott is "already to strong expansion mode", with projects in countries as diverse as Ecuador and Argentina, be says.

The entry of new hotels into the market is improving qualBuenos Aires-based businesswoman. Accommodation has generally lagged some way behind the standards of Europe and the US, although prices have if anything been higher. Some hotels are beginning to offer guests American-style services like free cellular phone use, or private fax

machines, she says. In Buenos Aires, new hotel construction has prompted ITT Sharaton to invest \$52m in upgrading its hotel there. adding a tower with 188 superluxury guest rooms. In Santiago, Chile, the group is investing \$38m in an attempt to spruce up its rather dowdy hotel in the city and compete for attention with the popular Hyatt Regency.
If competition is hotting up

at the top end of the market, it is also beginning to stir in more moderately priced accommodation. Apart-hotels, which offer the guests a basic kind of suite and cost around \$100 a night, are becoming much more popular, especially among longer-stay visitors. Here rooms are generally of a high quality, but dining-room and other facilities are much more limited.

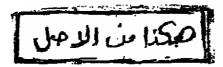
Mr Titley says the next few years will see "a tremendous boom" in the mid-market segmant, with the moderately priced Holiday Express (Holi-



Any rooms at the inn? Rio's hotels are sometimes fully booked Gym Gonz

day Inn), Four Points (ITT Sheraton) and Courtyard (Marriott) chains all involved. He predicts that some 150 such hotels could be built over the next decada, not just in Latin American capitals, but in

the more important state and provincial cities too. Visitors to the region will be boping the arrival of these chains will shake up the market still further, cutting room rates and



Ownership loses its appeal

Weak property prices mean that operators prefer franchises to new

Growth is the watchword of the hotel industry. Most of the larger hotel chains are pursuing a policy of rapid expansion, keen to take advantage of expanding worldwide tourism and the recovery of business travel.

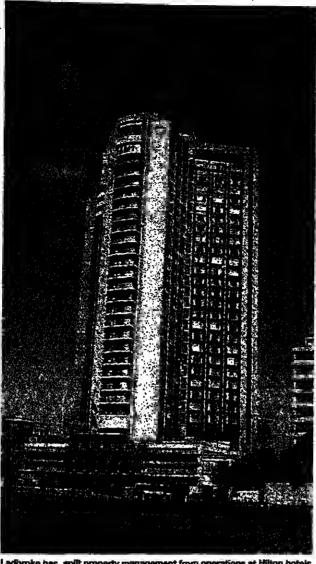
Some, however, have falt growth contraints. Property once used to be a hotel compa ny's greatest asset and the principal motivation for investment. But a fall in the US and European property market at the end of the 1980s put financial hurdens on hotel companies and restrictions on the management side of their

When Marriott Corporation decided to split into two companies and to put its real estate and debt into one com-pany (Host Marriott) and its hotel management into another company (Marriott International), it turned the spotlight on the value that can be gained by separating hotel management and property management skills.

Since the split in 1993 both companies - Host Marriott in particular - have outperformed the market. The experiment has fitted in perfectly with the current fashion for demerger whereby investors tend to value the parts of a company at more than the whole, partly because sharper focus is believed to enhance

The split also gave Marriott Corporation more leverage in raising development money from shareholders, according to Mr Alex Kyriakidis, partner in charge of worldwide hospitality and leisure at Arthur Andersen, the accountancy firm. "Management, not ownersbip, is the cry - no one wants to own hotels, just to manage and franchise them and the ability to commit capital quickly is key to obtaining Jmanagement contracts."

Other companies have also. been ridding themselves of the property burden, not necessarily through demerger but by selling their property or tak-



Lactoroke has split property management from operations at Hilton hotels

buy any more property, relying on growth through management contracts or franchises instead.

Ladbroke, the hotels and betting company which owns Hilton International, last year split the property management of its hotels from the operational management to increase returns. "We are good at operating hotels but not good at managing the assets," said Mr Peter George, chief executive of Ladbroke, at the time. Four Seasons, the luxury

Toronto-based hotels group has also been pursuing prop-erty disposals. From a purely

ing a strategic decision not to financial perspective, there has also been a definitive move towards the separation of the management and ownership of hotel assets with the goal of increasing shareholder value and reducing the volatility of hotel companies' income stream," says Mr John Richards, executive vice president of Four Seasons. "For several years now we have been engaged in an ongoing pro-

> agement contracts, at creating stable income stream." Mr Paul Slattery leisure ana-

gramme of asset sales geared

towards reducing debt and, in

conjunction with the globalisa-

tion of our portfolio of man-

investment bank says: "It's entirely understandable why the chains are looking for management contracts or fran-

chises - they don't want to put their own capital in." Nor do they need to, says Mr Slattery. In most countries structured institutional sources of capital for hotel development do not exist in the sama way as in the US or UK. Instead hotel investors are wealthy individuals or governments who wish to retain ownership but are not necessarily able to run a hotel.

Unlike a decade ago when there were fewer participants in the hotel management husiness, hotel owners today have a wider choice of groups from which to select. This competition is reflected in the contracts available. Instead of being granted 3 per cent of turnover and 10 per cent of gross operating profits, hotel management companies are having to settle for 2 per cent of turnover and 8 per cent of gross operating profit. In addition many are having to throw in something else, such as a small equity stake, or a com-mitment to finance the first refurbishment of the hotel.

Franchising has also become opular even with companies that had previously fought shy because of concerns about quality control. Several large companies, such as Choice Hotels International and Holiday Inn, have expanded rapidly through franchising.

Holiday Inn, which fran-chises or operates more than 2,000 hotels, aims to increase that number to 3,000 hotels by the end of 1998. In the past two years it has been developing hotels at what it calls "record-hreaking pace" by opening a new hotel every

Inter-Continental, while chary about franchising its core brand, does franchise some of its three and four-star Forum hotels, Hilton International said for the first time last year that it wanted to franchise a new three-star Hilton brand. While the current trend toward franchising and management contracts can be expected to continue, it is also too soon to write off the assethased hotel company which may, in due course, become fashionable again.

■ Trophy Hotels: by Scheherazade Daneshkhu

Glamour must pay its way

Purchasers of glamorous, historic hotels now expect them to yield a healthy financial return as well as social cachet

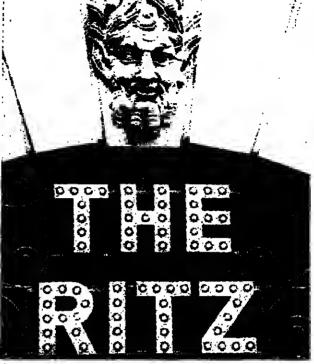
For some, owning a prize hotel, such as the Ritz in London or the Plaza in New York, is a cherished dream. The glamour and prestige of possessing his-toric properties which have been home, if only for a short time, to the famous can be alluring. But although dreams come cheap, prize hotels do not. And the trophy hotels, like Impressionist paintings, can be as susceptible to fashion and almost as difficult to price. When the Sazale group, a

Tokyo hotel company, bought the Bel-Air hotel in Beverly Hills, which has played host to movie stars such as Marilyn Monroe and Grace Kelly, It paid a record price in 1989 of \$110m, or crudely, \$1.2m for each of the hotel's 92 rooms. The sale came just a few years after Yasuda Fire and Marine, a Japanese insurance company, paid £24.75m for Van Gogh's Sunflowers - theo a record price for any work of

But when the feel-good fac-tor of the 1980s, fuelled by rising share and property values, fizzled out in the early 1990s, the price of seemingly useless desirables such as paintings and luxury hotels fell.

Sazale surrendered the property in 1994 to the Long-Term Credit Bank of Japan, its creditor, which sold it last year to the Brunei royal family for about \$60m. To many the lesson is that trophy hotels are not for the true businessman and only for satisfying the whims of wealthy or flamboyant investors, such as Donald Trump, the Sultan of Brunei or Prince al Waleed bin Talal bin Abdulaziz al Sand, the Saudi investor.

Ms Kay Dymock disagrees. The lead partner of JLW Hotels, the specialist hotels division of Jones Lang Wootton, the property consultant, regards the term "trophy" hotel as verging on the derogatory. "For most of the 1980s there was a belief in a sector



Palace and Daniell in Veoice.

take pride of place in ITT Sher-

aton's Luxury Collection

it formed last year.

brand, the upmarket portfolio

ITT Sheraton, which is a

publicly quoted company, Is keen to show that it can make

called trophy hotels where returns were minimal. I'm not sure the concept still exists in the 1990s," she says.

Many trophy hotel purchases were made by Japanese investors who were prepared to take low returns over a long period, she adds, but "in our experience investors today expect returns in excess of 7 per ceot per annum".

It is not only individuals who buy tropby hotels, although many that do regard them as property plays, according to Mr Alex Kyriakidis, partner in charge of worldwide hospitality and leisure at Arthur Andersen, accountant. He points out that for some of the international chains a trophy hotel can enhance the vaine of a brand name and thus of a whole portfolio of hotels,

Inter-Continental staged something of a coup when it acquired the celebrated Carlton Hotel in Cannes, in the south of France, while ITT Sheraton bought a controlling stake in Ciga, the loss-making Italian hotel group in 1994 for £365m. Most of Ciga's hotels. which include the prized Gritti

profit in 1985 and for which sceptics believe it paid too high a price. After reporting a sharp reduction in losses for the first half of 1995, Ciga is expected to make net profits this year. With the gradual ebhing of the recession, demand for hotels at the luxury end of the

hotels which last reported a

market has revived, particularly in London and New York. Last year the Plaza Hotel. which overlooks Central Park io New York, was sold for more than \$300m to CDL Hotels, the Singapore-based group, and Prince at Waleed. Determining the worth of a trophy hotel is a challenge. Ms

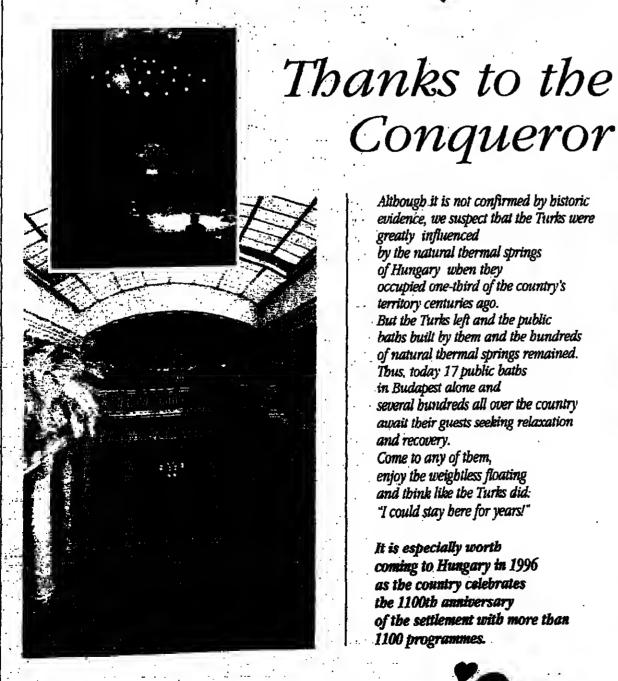
Dymock believes the method of valuation should be no different from that of other hotels. The usual method is to look at the oet cash flow and forecast what it will produce The hotel is valued on its existing and projected income."

When the Ritz chaoged hands for £75m last year from the troubled Trafalgar House conglomerate to David and Frederick Barclay, the property investors, some observers thought the price too high at £575,000 o room. However, as one analyst pointed out: "What people forget is that the Ritz has shops, and more importantly, a casino paying just about the highest root per square foot in London and producing an annual (ncome of



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Security is the key issue

Female business travellers have special needs, but complain that they often get poorer service than men

Most business travellers would walk out of a hotel where they were given a room next to the lift, where waiting staff seated them behind plants in restaurants and then ignored them. and where they were leered at by receptionists.

Must male business travellers. that is, Women executives have reluctantly become used to being treated as second-class citizens by some hotels.

Yet with the oumber of women travelling alone rising. hotels are at last waking up to the fact that the female traveller not only has to be treated with the same respect as the male traveller, but has additional needs too.

Some are obvious. Ms Rosanna Greenstreet, a journatist and author, says: "Security is very important." In a survey of regular women travellers carried out by Chambers Travel, which specialises in business travel management, 95 per cent of respondents stressed its significance. One element of this is confidential allocation of room numbers: "l don't want the entire lobby to know which room I'm in. remarked one respondent. Ms Elisabeth Ohlsen, a private banking account manager for Svenska Handelsbanken, concurs. "I wonder who else has heard this when I cbeck in, she says.

American Express, which produces a guide for women travellers, supports this, lts booklet Smort Travel suggests that a lone woman traveller should "treat your room number like a state secret, and expect staff to do the same. If they don't, complain." It adds that it is a good Idea to avoid displaying a room key with its number in public areas.

Ms Greenstreet comments: "Once I'm in my room I like to he able to lock it from the inside." American Express suggests: "Insist on a room with a security chain, deadlock and

feel safe, says Ms Ohlsén: "When you go up a corridor it should be light and bright some botels have hidden corners."

Chambers Travel found that

74 per cent of respondents would like security personnel to be visibly present at hotel entrances. An idea popular among hotels - women-ooly floors - is less favoured by women. Just 32 per cent of those responding to the Chambers survey thought it desirable. Many pointed out womenonly floors could create extra risks, hy giving criminals a clear target

Things that men do not even consider can make a single woman traveller feel uneasy. For example, bolding a meet-ing can be uncomfortable in a room dominated by a bed. If a meeting room is not available, it is a good idea to take a suite. A lay-out such as one used by the Four Seasons in Toronto, which has a separate bathroom in the sitting area, saves clients having to troop through the woman's bedroom and use a bathroom full of her cosmetics and toiletries.

Greenstreet, "either with an ironing board or a very fast pressing service in the botel say an hour turnaround." With executives preferring to travel as light as possible, a hotel should be able to provide some basics for women. "Hair-dryers," says Ms Rebecca Werner of New York's Four Sea-

Alternatively staying on a

executive floor is a good idea if

a woman traveller is planning

to entertain clients. These are

often a hotel-within-a-hotel.

offering a separate concierge,

restricted access and private

lounges ideal for meeting out-

It is often the small things

about a room that score highly

for women travellers. Ms

Greenstreet says: "I like good

lighting in hathrooms, and on

mirrors - I don't like those

mirrors with coloured glass

and bad lighting so you can't

see to make up your face. And

I like to have a telephone in

the bathroom." Trouser

presses lurk in corners of just

bout every hotel room, but

ironing boards are less com-mon. "Being able to press my

clothes is important," adds Ms



Good lighting makes a hotel Upwardly mobile: the number of women business travellers is growing

work

work

Business travellers: by Kate Bevan

Massaging the executive ego

Hotels offer guests sons hotel firmly. "I must have a wide variety of a hair-dryer in my room." Ms practical and luxury services for and cotton buds, shampoo and suchlike." And with more travwork and for ellers taking children on trips. pleasure

Greenstreet adds: "I like to

have all the bits - cotton wool

being able to get the essentials

without having to lug them

from home makes a difference.

Ms Cherry Kam of the Toronto

Four Seasons is the mother of

a toddler, and says: "I expect to

be able to get dispers in a

alone would rather not go out

by themselves, and so look for

good eating facilities within

their hotels. This not only

means good food, but a good

attitude from staff, whether

they are delivering room ser-

vice or seating a lone woman

traveller in a restaurant.

American Express suggests that women travellers should

he more demanding: "Don't

wait to be seated behind the

potted plants or marooned

uncomfortably in the middle of

the restaurant. Say where

Chambers Travel found that

84 per cent of women respond-

ing to its survey take room ser-

vice - and 47 per cent said they do so because they need

to work in the evenings. "I

don't want to go ont by myself," says Ms Ohlsén, "but

room service must be OK, and

the har and restaurant are

very important. I want to be

hotel's public areas is a prob-

lem for many. Chambers found

that 49 per cent were uncom

fortable, saying they thought

their single presence could be

misinterpreted by male guests.

American Express advises:

Order a drink to the lounge

rather than the bar. Let staff

know if you'd like to be left

undisturbed, and expect to be

consulted first if someone

lone women is important.

"Male staff can be so patronis-

ing," aaid one respondent to

the Chambers survey. Another

business on my mind. I want to

be treated properly."

The attitude of hotel staff to

wishes to buy you a drink."

Feeling at ease alone in a

you'd like to sit."

comfortable.

Many women travelling

hotel."

When you are away from home on husiness, all you need is a bed, a bathroom and a telephone - right?

Travellers may think so, but the hotel industry knows better. The executive staying at a five-star hotel almost anywhere in the world can choose from a variety of services, from massages in New York to hasiness centres which provide Reuters screens and laptops in Hong Kong.

According to the Four Seasons in London, what the business traveller wants above all from a botel is flexibility. Each business traveller has their own very specific demands and it is for the hotel to provide the appropriate solution as creatively and quickly as possible," says a hotel spokesperson.

Business travellers' demands begin before they even reach the hotel. Executives want to know that any messages or faxes that arrive before they do will be beld for arrival. One frequent traveller adds: "I like to be met at the airport by a botel representative, especially if it's a city I haven't been to before."

Once they bave checked in travellers can use the nowubiquitous husiness facilities: most hotels at the very least offer a husiness centre where secretarial support is available and faxes can be sent and received. Many hotels go further - for example, the Peninsula in Hong Kong places a fax in each room and tells the traveller the fax number in advance of their arrival. The Conrad in Hong Kong, like other hotels in the colony, will lend guests a mobile phone.



And no traveller should have to camulhalise leads and jacks to get their laptop to work in their rooms - datapoints are common in better hotels.

In an unfamiliar city it is easy to feel trapped in your hotel. To ease the strain of finding your way round, many hotels will provide a complimentary limousine to ferry yon around the main business district. For example, the Four Seasons in Toronto is outside the downtown area and offers a free limousine to the main commercial area of the city. But there are other small things a hotel can do to make orientation easier. Ms Rosenna Greenstreet, a journalist and anther, cites a nice touch at the Oriental in Bangkok: There was a map in my desk drawer in the room which had ail the main destinations marked clearly in Thai script

so it was easy to show taxi drivers where I wanted to go." In the absence of such a man the hotel concierge should be able to write a destination in

local characters. "Many travellers don't make the most of the concierge." remarks one travel industry executive. "They're more than inst someone to get a map from." The Four Seasons in London agrees. "Our guests increasingly delegate the organisation of their travel arrangements to the concierge," says Mr Gary Parker, conclerge manager. "With husiness schedules and travel details increasingly subject to last-minute change, we are regularly changing airline tickets, organising hotel bookings, car hire and husiness appointments in other parts of the world," he adds.

But when the laptop has

been turned off and the business suit is hanging neatly to the wardrobe, hotels leap to provide facilities to help guests relax. Most tastes are catered for, from jacuzzis to float tanks and the latest highW. V. Change

technology exercise rooms. Some go even further: the Four Seasons in New York has a variety of massages, from the letlag massage to the business presenter's massage. Leaving your sports kit at home is no excuse not to use the sports facilities: most hotels will lend you the appropriate clothes.

For all modern hotels' hightechnology husiness klt and steam rooms, "the traveller above all wants to be comfortable," says Mr Didier Le Calvez, general manager of the Pierre in New York. "It's an aimosphere that the hotel has to provide."

Favourite hotels: by Kate Bevan

firmly made the point: "Staff Oases in a desert of work ahould assume all single women are VIPs. Mistakes will not then occur." Ms Ohlsen says: "I'm going there with

Four frequent travellers nominate their preferred bolt-holes when business takes them abroad

Mike Pearson, technologist

Regular travellers are pretty definite about what turns an ordinary hotel into a favourite hotel. It can be as simple as where it is. For that reason, Mr Michael Pearson, a technologist with Kelco, which makes stabilising and gelling agents for food and industrial products, says: "I like the Hyatt Regency in Secul, it's in a

great location." Mr Pearson, who makes about 10 trips a year, mostly to Asia, adds: "It's fairly mountainous country and the hotel is perched on a hill out of town looking down on to it. Although it's very close to the city it is just outside it. It's also very close to the 'foreigners' street', which has lots of markets and stalls - it's great

for shopping."
But location is not the only reason Mr Pearsoo picks the Hyatt Regency as his favourite hotel. He adds: "The sports facilities are good, and there's also a nice bar which has live bands. It's a very complete botel - it has good restaurants. it offers Korean, Chinese, Japa-nese and western food."

Amanda Conroy, communications executive

Ms Conroy, Polygram's head of corporate communications. rates the peace and quiet of Morgans in New York above state-of-the-art telecommunica-

"What do you need? You need a phone, a fax, but I've got all the facilities I need at the office in New York. That's not the most important thing for me." She makes trips every year to the US and to European destinations.

She says of Morgans: "I feel completely at home there - it's just like heing in your own apartment - it's a little casis away from the hustle and bus-lie of New York."

"Morgans has a small unas-suming lobby," adds Ms Conroy. "I feel very sale staying there" - something particularly important in a big, impersonal city like New York. For Ms Couroy, facilities for

entertaining clients are less important than for some other business travellers - she does her socialising away from the hotel. "That's the way I want it - I need to have somewhere to a secret place to stay."

Louise Fowler, airline executive

Estate agents say there are a property: location, location and location. It's the same for hoteis. Ms Louise Powler of British Airways picks Hong Kong's Mandarin Oriental for that reason: "It's on the Hong Kong side hut near enough to the Star Ferry so I can get to Kowloon easily, and get around to all the places I need to visit for work. It's also near restaurants so I feel comfort-

able going out st night." Little touches such as a speedy response from housekeeping can turn an ordinary hotel into a favourite hotel. Ms Fowler, who makes between six and 12 trips a year, relished the service at the Mandarin Oriental. "It is discreet and attentive without being overpowering - It's not obsequi-

different approach: "It's more overt than the Mandarin Oriental - there's always someone bringing things like fruit to the can be overpowering."

Doug McNeish. antiques dealer

Hotels have to work hard to stand out from the crowd. After all, most five-star hotels have marble bathrooms and a telephone by the toilet. Mr Douglas McNeish, who travelled abroad about twice a month when he worked as a merchant banker, cites the pool at the Bristol in Paris as one reason for the hotel's status as his favourite. "It's an indoor pool," he says, "but they have aliding doors so that on nice days it's open to the

elements. Mr McNeish points out that a

go back to and Morgans is like is the Taj Mahal in Delhi, you need is a phone and the a secret place to stay." which she says has a rather ability to get messages," he says. Much higher up his list of priorities is the atmosphere and the service. He says: "The Bristol has a very personal room, and constantly checking touch. They keep records of to see if things are OK. It's a when you stayed, what room ences. The staff are very polite and attentive. Even though I speak French, as far as I could tell they were all bilingual."

The Bristol's public rooms catch his eye, although as an antique collector he focuses on a particular aspect: "They bave some good antiques around." he says, and adds: "I've entertained clients there, and the public rooms are very nice some bigger hotels are rather flashy and glitzy. At the Bristol they're understated and ele-

He adds: "I ooce laid on a meal for 50 or 60 clients at the Bristol at pretty short notice -I only gave them a few days and it was very good value for money. They only charged for the catering, not for the use oi



work work top Jack being a dull boy.

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rando di Giorni Indiana di Galleria di Salaria di Salar





Hotels Gl's a pleasure



at members of loyalty programmes run by airlines and hotels expect to receive a range of perios as a matter of course

Loyalty programmes: by Roger Bray

your customer base

Databases detailing customers' foibles are helping hotel companies to retain their favour

One marketing anecdote tells of a group of executives trying to brainstorm ways of improving their airline's business class. They were so desperate to inch ahead of their rivals that they fell to discussing the number of bristles on the free inflight toothbrush.

Hotel marketing teams suffer much the same problem when it comes to customer loyalty schemes, Most major groups and even individual hotels now offer incentives to keep guests coming back. But how can you make sure your scheme outshines the competition?

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Loyalty programmes tend to cancel each other out. Regulars now expect perks such as free upgrades to superior rooms and express check-in as a matter of course. Improving programmes becomes increasingly costly. They may be expensive for corporate customers too. Research suggests some executives spend more on travel than they need to so they can earn extra points.

identify which of them spend the most and pander to their individual tactor

The cost-efficiency of loyalty programmes cannot be calculated without subtracting parallel savings on advertising. Hotel groups are already milking the buge databases built on the back of loyalty schemes, luring business chents to their resort properties through direct mail, for example.

The list of advantages to repeat customers is already bewildering. Take Hyatt's Gold Passport Club, for example, Instant benefits include rooms in separate and exclusive parts of botels, complimentary free morning coffee or tea, video check-out and a bill slipped under your door on the day of departure. Collected points earn room upgrades and free

Most botel groups have tieups with airlines. These allow passengers to offset air travel points against hotel nights and vice versa. The potential of such links is well illustrated by Inter-Continental, which claims that its Six Continents Club, which has been runningfor 30 years, is the oldest of all loyalty schemes. In 1994, with recession still depressing demand, it decided to offer A more efficient way to win rooms in midsummer at

"We found that 60 per cent of schemes can he immensely Americans staying at those prices in our European hotels had flown there using free tick-ets obtained through frequent flyer programmes," says Mr Michael Stajdel, senior vice

president for marketing and

strategic planning.

costly to launch and main-

She concedes that the com-

pany, which has properties in

eight countries besides Swit-

zerland, has been investigating

bow to jump on the band-

Mr Michael O'Donnell, Wes-

tin's sales director for the UK,

Italy and Spain, comments:

mount. People are trying to be

more creative, making sure

loyalty scheme membership cards don't just sit in the wal-

"The long term way of ensur-

ing guests come back is to

know every single aspect of

their likes and needs," he con-

tinues, "If you service all the

guest's needs you will probably

have the best loyalty scheme.

For example, there's no point

putting a complimentary bottle

of champagne in the room if

The Hyatt representative

believes hoteliers are still too

blinkered towards the potential

of their databases. She thinks

they need to widen their know-

ledge of corporate guests,

recording where they travel

most frequently, what they

spend their money on in the

botel and whether they are

the guest is teetotal."

"Repeat business is para-

But if a wide selection of companies such as Radisson. Inter-Continental and ITT Sheraton, all have links with the same airlines, the marketing advantage can be diluted. That is why some hotel groups have been offering double or even treble points to repeat customers.

A Hyatt spokeswoman says: "This creates an upward spiral which becomes more and more expensive. Many companies, like the

buge Best Western marketing consortium, which has a deal with Avis, have struck points deals with car rental compa-

A few have yet to accept the seemingly inevitable. Aside from an airline points deal with its owner Swissair, the international Swissotel chain has no specific loyalty scheme. UK and Ireland sales director Ms Rose Saliba says: "What the corporate customer wants first and foremost is efficiency. It is pointless creating gimmicks likely to use the group's leisure executives! hearts may be to around half the normal rate. for their own sake. These resorts.

Low rates create high profits No-frills lodgings can

CALLEGE CONTRACTOR OF THE CALLEGE CONTRACTOR

boost operators'returns, as well as saving guests' money. The formula has sparked a building boom

■ US budget hotels: by Lisa Bransten

A building boom is under way in the US lodging industry. But only a small part of that growth is in the traditional full-service hotel sector. Instead, most of the expansion is coming from the construction of no-frills budget hotels.

Of the 82,000 botel rooms Coopers and Lybrand estimates were built last year, nearly 60 per cent were in the economy or like Hampton Inn and Courtyard by Mar-riott. Earlier this year Hilton Hotels weighed in with plans to build 100 Hilton Garden Inns over the next four years. Marriott is expected to develop a new chain in the category that will be slightly less expensive than Courtyard hotels.

Budget botels are aimed at cost-concious business travellers and generally boast rooms similar to full-service hotels, but at much lower prices. According to Smith Travel Research the average midpriced room in the US costs around \$63 a night compared with \$123 a night for a luxury hotel.

The rooms are meant more for business than pleasure. They are often well lit, have hig desks and boast modern communications equipment such as fax machines and computer ports.

Hospitality Franchise Systems, the larg-

est botel franchiser in the US is building a new brand, Wingate Inn, where rooms will cost \$60 to \$70 a night and will include larger desks, lounge chairs and two phones, one of them cordless.

What is missing from most budget hotels are fancy accootrements such as bars, health clubs and conference rooms. Some, but not all, have cheap restaurants. One new chain, MainStay Suites, will

even eliminate the front desk. Guests will check in and out electronically in this limited-service chain being developed by Choice Hotels International, another large hotel franchiser. MainStay botels will be designed for longer stays, and the rooms will include kitchenettes.

While demand for budget botel rooms has grown at 4 per cent a year since 1990, demand in the limited-service segment has risen at an average of 5.25 per cent a year, with 6.7 per cent growth in 1994. according to Smith Travel Research.

The trend away from full-service hotels has been driven by two converging trends. The first is corporate restructuring and cost-cutting, which has sparked mand for lower-cost business lodgings.

The other is the realisation in the hotel industry that no-frills hotels can be much more profitable than their full-service counterparts. The average Hampton Inn, for example, costs about \$37,000 per room

costs nearly seven times that per room to build, while the rooms bring in only about \$150 per night.

Mr Bjorn Hanson, head of the hospitality group at Coopers and Lybrand, the US consulting and accounting group, says that the food and beverage operations in luxury hotels often operate at losses that have to be subsidised hy room rentals.

Smith Travel Research reports that the gross operating profit in the limited-service sector in 1994 was 45 per cent, against 31 per cent for full-service hotels. During the late 1980s and early 1990s when the hotel industry as whole experienced record losses, operators of hudget hotels were able to maintain relatively stable operating profits. Full-service hotels, on the other hand saw their margins squeezed as low as 20 per cent as they offered more and more services to attract a shrinking number of guests.

These phenomena fuelled the desire of

to build and each room brings in \$59 per night. A luxury hotel, on the other hand where consumers were willing to settle where consumers were willing to settle for limited service in exchange for a cheaper rate.

Most new budget hotels have been built in areas that have two or three older full-service hotels, enabling the operators to offer travellers oewer rooms in botels that are just as well located, and make more money in the process.

There is a fear that room rate increases may not keep up with inflation if the building boom in this category causes supply to ontstrip demand, but the margins at many chains are considered strong enough to withstand some pressure.

Mr Chuck Ross, a vice-president of Smith Travel Research, says that If all the mid-priced hotel construction that has been announced is completed, then the sector could have problems. Even at the height of the hotel hullding boom in the 1980s there was never the same the concentration on one category as there is now in budget hotels, he says.



Accommodation with all the trimmings: services like luxury restaurants create a big cost burden

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INTERNATIONAL HOTELS

Airport Hotels: by Kate Bevan

gly, crowded and popular

Their convenient locations are the main reason why these hotels are enjoying a boom in business

There seem to be almost as many hotels at alports these days as there are airlines. Useful as stopovers, meeting points, or somewhere to billet airline crews, airport hotels are blg husiness - so much so that Hogg Robinson, the UK business travel agent, counts London Heathrow as a separate city, ranked fourth in the UK by costs in its annual business

travel survey of hotcis. But why choose such a venue? Airport hotels ore often ugly concrete blocks, with thick double glazing to dull the sound of rouring aircraft and views of nothing more exciting than the back end of a runway.

Mr Mike Gates, director of central services at Hogg Robinson, points out some of the henefits. "They provide o 24-hour operation." he says, and adds that they are good venues for meetings. "Lots of people fly into Heathrow, have a meeting, and then fly back out again the same day. They never go into central Londoo

at all," he remarks.

Airlines are among the biggest customars of airport hotels. Mr Alon Jones head of airline sales for Forte Crest. says that every night about 400 crew members stay at the Excelsior hotel at Heathrow alone, helping push occupancy rates up to an average of more than 90 per cent. "And they're there every day, including bank holidays and weekends." he adds. "During the week we can have up to 100 per cent occupancy."

Airlines also use airport hotels as part of their services. Virgin Atlantic. Mr Richard Branson's carrier, has on arrivals facility at the Holiday Inn Crowne Plaza at Heathrow, It ferries Upper Class passengers from the terminal to the hotel for a swim, massage and shower at the botel's beatth

United, the US airline, has dayrooms of the Heathrow Forte Crest where arriving premlum-class passengers can showar and change. United offers its passengers a special parking rate of £5 a day at the hotel and maintains a check-in desk there, available to passeogers travelling in alt classes. The American carrier also has hotels in Paris, Milan, Amster-

dam. Brussels and Zuricb. Although there are had

points to airline business -"Crews don't spend any money in the restaurant," remarks one executive - the plus is that they are the first places the carriers turn to in an emergency, "We get the spin-off business if there's a delay," says Mr Jones.

This means that a 747-load of disgruntled passengers corral-led tuto a hotel to awalt a delayed flight are a captive market. Although passengers will be given vouchers for o certain amount of refreshment, inovitably they end up spend-ing more in the bars and restaurants.

And if a flight delay means putting up the passengers over-night, the first port of call for the airline is the botel where they billet their crews, although at this point, hotels will co-operate to find beds if the first hotel's capacity is not sufficient.

From the leisure travel industry's point of view, airport hotels are a good thing. 'The growth is tremendous,' says Mr Nick Cust, joint managing director of Superbreak. "It extends a holiday to have a night either side of a flight at another benefit for leisure trav-

employer picking up the airport parking costs. Superbreak offers a rule of \$42 per person per night at the Marriot Heath-row - which includes 15 days' free parking.

Decent transport links are a boous. Most hotels run regular courtesy buses to airport terminals and in many cities rail or road links are good.

It is out only travellers who use airport hotels - many local husinesses use them as venues for meetings and conferences. The Forte Crest ot Heathrow has a dedicated facility of fullyequipped meetings suites - the Academy - catering for that market.

But in splte of the benefits, airport hotels have drawbacks. Mr Gotes of Hogg Robinson highlights the imporsooal ambience of hotels which have to cater for so many different markets. These "bed factories" as he puts it, are dealing with leisure and business travellers. people attending meetings and conferences, arriving passeogars using airline facilities, and mobs of aircrew.

As airport hotels also pick up local business, thay are under pressure to deliver the goods for several different markets. The danger is that the hotels become impersonal pro-



Gatwick in the UK: the convenience of hotels close to airports compensates for their high prices and impersonal atmosphere

services to offer.

High occupancy rates can mean high prices for the trav-eller. Hotels at Heathrow have lifted their rates by 6.87 per cent over the past year, seconding to Hogg Rohinson, to an average of £75.46 a night.

And airport botels can be very crowded. While the growing occupancy rates delight the hearts of general managers

viders with no special niche and their parent companies, a negative aspect is the sheer numbers of people wanting to eat, drink, and check out at the same time.

"I can't see why people don't do a bit more research on the area near the airport and pick a nice country botel in, say, Ascot, for their meeting," remarks one executive. "It doesn't take much more time to whizz down the M4 and get

Heathrow to something much nicer.

Although hotels provide links to the airport, these can somatimes be a problem, too. Courtesy coaches often wait for a decent number of passengers before they depart, and can be held up while dozens of people check out and aim for tha same flight. And some, while offering a free pick-up,

away from the airport hotels at charge a fee for a trip to the terminal.

Wall St

and bonds

But the transport links are adequate, at least from the industry's point of view. "The M25 is the best thing that has ever happened to airport hotels," says Mr Cust, "If you've got an Sam filght at Gatwick, wheo do you leave if you want to avoid the rushhour traffic Jams? The night

M Conference hotels: by Roger Bray

Trips must be justifiable

Attendances are up but organisers must convince directors that such events have a

genuine value Recession has left its scars on the conference and incentive travel business. Business has returned since the slnmp accompanying the Gulf War, but participants have still to

regain their confidence. Nobody knows how much meetings, conferences and incentive trips organised by big companies are worth to the international hotel business, Mr Charles Blowfield, commercial director of the Meetings Industry Association, thinks it could be over \$100bn, but admits this figure ures from the US suggest It could by as high as \$63bo in North America alone. Some observers helleve current growth could be as high as 15

per cent a year. Attendances are np. Delegates are staying longer at hotels end gatherings ara more frequent, but groups are becoming smaller. Events are being organised at much shorter notice, making it more difficult for hotel managers to plan ahead. Lead times have fallen from between a year and six months to less than

four months. During the recession it was difficult for directors to sanc-tion expenditure on glamorous international meetings while they were cutting staff. Even though the economic climate has now improved, events must still be seen to produce clear benefits.

Conferences have become more focused as a result. A good example was the recent Association of British Travel Agents convention in Sun City, South Africa. Tour operators, punch-drank from a summer of discounting, were slim-ming their workforces. The turn-out was much lower than those seen at similar long-han jamborees in the 1980s, the content of sessions pithier.

Incentive trips, an area dominated by five-star botels, were also scaled down during the recession. Convincing companies that the trips can bave a galvanising impact on sales forces remains tough.

That is not to say participants do not still enjoy themselves. Among this year's hig winners of International Travel and Meetings Association (ITMA) awards ware a scheme for Philips Lighting which took wholesalers on a snowy winter trip to Toronto's Deerhurst Resort, and another which took BMW sales manag-ers to Africa.

Hotel groups expect conference organisers to demand ever more sopbisticated technology, allowing delegates to react to presentations from the floor, for example, expressing preferences or casting votes at

the touch of a builton "In the old days," says Ms Sarah Webster, ITMA's executive director, "a guy used to stand up and lecture. Now new technology lets them gauge the opinions of the andience and show instant graphs on a

screen. Organisers are already ebte to explore meetings and conference rooms on their computer screens. Hilton Interna-tional recently taunched a CD-Rom which shows them detail such as the location of power points.

Perversely, increased rellance on PCs could be stimulating demand for human contact rather than diluting it, says Ms Webster: "There was always a fear that videoconferencing would reduce the need for people to leave their officas. While the area has expanded there is also an acknowledgement of how much can be achieved by a

group talking together." This year's hot conference destinations include Barceiona. Portugal, Prague and Budapest – and South Africa. though it remains short of suitable hotels. But following tha breakdown of the IRA ceasefire, a new question mark hangs over Loudon's prospects as a destination for incentive

